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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of California-American Water  
Company (U210W) for Authorization to Increase  
its Revenues for Water Service by \$55,771,300 or  
18.71% in the year 2024, by \$19,565,300 or 5.50%  
in the year 2025, and by \$19,892,400 or 5.30% in  
the year 2026.

Application 22-07-XXX

**DIRECT TESTIMONY OF EDWARD A. SIMON  
(FINAL APPLICATION)**

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Dated: July 1, 2022

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9 **DIRECT TESTIMONY OF EDWARD A. SIMON**  
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11

12 **I. INTRODUCTION**

13 Q1. Please state your name and business address for the record.

14 A1. My name is Edward A. Simon. My business address is 655 W Broadway, #1410, San  
15 Diego, CA 92101.  
16

17 Q2. Briefly describe your present employment.

18 A2. I am employed by California-American Water Company (“California American Water”  
19 or the “Company”) as Director of Business Performance and Officer, Business  
20 Development, Supplier Diversity and Inclusion and Diversity.  
21

22 Q3. What are your responsibilities?

23 A3. My overall responsibilities include leading team members focused on customer service,  
24 operational reporting, conservation, fleet management, inclusion and diversity and  
25 supplier diversity.  
26

27 Q4. Briefly describe your educational and professional background.  
28

1 A4. I received a Bachelor of Arts in Organizational Studies from Fontbonne University and a  
2 Master's Degree in Executive Leadership from University of San Diego. Additionally, I  
3 have attended and successfully completed various leadership and management related  
4 courses.

5  
6 Prior to joining American Water, I held various management related positions in the  
7 property and casualty insurance industry. I was a property and casualty insurance agent  
8 for NEI Insurance, I held the position of Customer Service Supervisor for Worldwide  
9 Insurance Group, and I held the position of Customer Service Manager for Millers First  
10 Insurance Company. I joined American Water on February 12, 2001, and I have held the  
11 following positions: Customer Service Supervisor (2001-2002), Business Service Liaison  
12 (2002-2003), Operations Manager for St. Louis County (2003-2004), Director of  
13 Customer Relations (2004-2009), California American Water Vice President of  
14 Operations (2010 – 2015) and now the Director of Business Performance (2015-present)  
15 and Officer, Business Development, Supplier Diversity and Inclusion and Diversity  
16 (2021-present).

17  
18 Q5. Are you a member of any boards or professional associations?

19 A5. Yes. I am also a member of several boards and professional associations. I am Vice Chair  
20 of the Los Angeles Gay Lesbian Chamber of Commerce. I serve as Secretary for San  
21 Diego Equality Business Associations. I am a member of the Asian Business Association  
22 Los Angeles Advisory Council. California American Water directly or through California  
23 Water Association supports many Community Based Organizations ("CBO's") including  
24 but not limited to National Gay Lesbian Chamber of Commerce, Women Business  
25 Enterprise Network ("WBEN"), California Asian Pacific Chamber of Commerce,  
26 California Native American Chamber of Commerce, Greater Los Angeles African  
27 American Chamber of Commerce, California Hispanic Chamber of Commerce and Black  
28 Business Association.

Q6. Have you previously testified before the California Public Utilities Commission (the “Commission”)?

A6. Yes, I have submitted written testimony to the Commission with Application (“A.”) 10-07-007, California American Water’s 2010 General Rate Case (“GRC”).

## **II. PURPOSE OF TESTIMONY**

Q7. What is the purpose of your testimony?

A7. My testimony describes aspects of California American Water’s transportation costs, Fleet Electrification Goals and Direction including a Zero Emission Vehicle Plan, Inclusion, Diversity and Equity (“ID&E”), and compliance with the Commission’s Environmental Social Justice (“ESJ”) Plan.

## **III. TRANSPORTATION COSTS**

Q8. Please describe California American Water’s current fleet make-up.

A8. Maintaining a reliable fleet program is critical to our field operations team members providing superior service to our customers. The chart below provides our current fleet make-up by vehicle type. We have over two hundred (200) vehicles in our fleet. These vehicles are used in our day-to-day operations which include but are not limited to field customer service, production, distribution services (including main repairs), conservation and engineering services.

<b>Vehicle Types</b>	<b>Number of Vehicle Types</b>
Van	2
SUV	5
Midsize Truck	22
Heavy Duty	2
Dump Truck	18
Car	10
6500 Class	1
5500 Class	11
4500 Class	2

Vehicle Types	Number of Vehicle Types
3500 Class	26
3/4 Ton	43
1/2 Ton	64
Total	206

Q9. Please summarize where California American Water's fleet is located.

A9. California American Water's fleet is located across fourteen (14) locations spanning the San Diego service area (City of Imperial Beach) to the south and the Larkfield service area (Santa Rosa) to the north. These locations receive electric service from four different electric providers.

Q10. Please describe the functions of California American Water's fleet.

A10. California American Water's fleet is used for functions including system operations, system maintenance, conservation, engineering, and customer service. To support operations and emergency needs, sixty-nine (69) of the two hundred six (206) fleet vehicles are on-call (e.g., need to be available at any time of the day). The remaining one hundred thirty-seven (137) vehicles are regularly located across fourteen (14) different California American Water locations.

Q11. Please summarize the age of California American Water's fleet.

A11. California American Water's fleet has an average age of nine (9) years. Out of the two-hundred six (206) vehicles, one hundred sixty-five (165) vehicles are aged five (5) years or older. Between the years of 2022 and 2026, there are one hundred nine (109) vehicles scheduled for replacement.

Q12. Does California American Water have any off-road vehicles or equipment?

A12. California American Water has approximately thirty-two (32) off-road vehicles and pieces of equipment. Approximately 75% of the off-road vehicles and equipment

1 currently operate on diesel fuel, with the remaining 25% operating on either gasoline or  
2 propane.

3  
4 Q13. Does California American Water own, lease, or rent any of its two hundred six (206)  
5 vehicles?

6 A13. Historically, California American Water has obtained Commission approval to purchase  
7 and lease vehicles, so we have both owned and leased vehicles in our fleet make-up  
8 today. The chart below provides the summary of the number of vehicles we own, lease  
9 and rent.

10

Own Vs. Lease	
Own	62
Lease	142
Rental	2
Total	206

14

15  
16 Q14. Why does California American Water have rentals in your fleet?

17 A14. One rental vehicle is a Monterey light duty truck. The prior vehicle was totaled in 2021  
18 and a rental vehicle was arranged. We ordered a replacement vehicle in 2021, but Ford  
19 recently cancelled the order. A search is being made of dealer stock for that order. We  
20 have been notified by Ford and other automakers that new vehicles are on backorder due  
21 to demand and supply chain issues they are experiencing. According to an article entitled  
22 “Inventory Shortage Update: Should You Wait to Buy a Car?,” by Jane Ulitskaya, dated  
23 January 13, 2022,<sup>1</sup>

24  
25 “IHS Markit [now part of S&P Global] automotive analysts are cautiously  
26 optimistic that 2021 saw the worst of the inventory crisis, but chip shortages and  
27

28  

---

<sup>1</sup> <https://www.cars.com/articles/inventory-shortage-update-should-you-wait-to-buy-a-car-445723/>.

other supply-chain disruptions are expected to continue - to a lesser degree – until 2023.”

The second rental vehicle is a Monterey dump truck. California American Water is renting the newer model dump truck to ensure compliance with Air Resource Control Board regulations, including emissions requirements. We are planning to purchase a dump truck in 2023 to replace this rental vehicle.

Q15. What are California American Water’s plans to purchase or lease new vehicles during this rate case period – 2024, 2025, and 2026?

A15. California American Water plans to purchase or lease the number of vehicles listed in the chart below during this rate case period. Five (5) of the twenty-four (24) planned vehicle purchases are dump trucks. The remaining planned vehicle purchases are EV/Hybrid vehicles which supports our fleet electrification strategy discussed below in Sections IV and V of my testimony.

Number of Lease or Purchase 2024-2026			
	2024	2025	2026
Lease	14	12	6
Purchase	3	13	8

Q16. What are California American Water’s overall planned costs for leases/purchases, fuel and maintenance for this rate case period – 2024, 2025, and 2026?

A16. California American Water’s overall planned transportation costs for the rate case period of 2024, 2025, and 2026 are included in the chart below:

**CA TRANSPORTATION COST 2024-2026**

	Fuel	Lease	Purchases	Maintenance
2024	\$1,158,095	\$1,447,643	\$467,518	\$488,983

2025	<b>\$1,187,047</b>	<b>\$1,433,617</b>	<b>\$437,295</b>	<b>\$501,208</b>
2026	<b>\$1,216,723</b>	<b>\$1,490,269</b>	<b>\$1,591,542</b>	<b>\$513,738</b>

Q17. Please describe the assumptions included in California American Water's overall planned transportation costs.

A17. The following provides our overall assumptions included in our planned transportation costs:

- The fuel forecast for the rate case years 2024-2026 was calculated by utilizing the year 2021 total number of gallons of fuel purchased and multiplied by the national projected 2022 cost per gallon per the U.S. Energy Information Administration plus a \$1.35 per gallon California gas price differential and \$0.90 per gallon diesel differential factors. A weighted average is calculated between gas and diesel fuel based on year end 2021 figures for the state at a 90/10 percent gas to diesel mix. This figure was then multiplied by an escalation factor of 2% for 2023, 1% for 2024 and 2.5% for subsequent years (2025 and 2026). An example of the formula is below:

District	2021 Gallons Purchased	Projected 2022 Price Per Gallon	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected
Larkfield	4,045	\$5.22	\$21,115	\$21,537	\$21,753	\$22,296	\$22,894

- Lease Forecast Assumptions.** The lease forecast for the rate case years 2024-2026 is calculated by a combination of actual current lease values and the anticipated new leases for replacement vehicles. The monthly amounts of the new leases are arrived at by using the estimated capitalized costs of new vehicles and multiplying a 1.8% monthly payment factor. That monthly payment factor is the

current factor utilized by the lease company (Automotive Rental Incorporated) for newly leased vehicles in 2022. The estimated capitalized cost table is below and is based on 2022 model vehicle orders and upfits with escalation factors of 3% for 2023, 2.8% for 2024 and 2.5% for the years 2025 and 2026.

Vehicle Type	Cost 2022	2023	2024	2025	2026
Midsize truck	\$39,000	\$40,170	\$41,295	\$42,327	\$43,385
1/2 Ton	\$50,000	\$51,500	\$52,942	\$54,266	\$55,622
3/4 Ton (2500)	\$65,000	\$66,950	\$68,825	\$70,545	\$72,309
3500 Class	\$69,000	\$71,070	\$73,060	\$74,886	\$76,759
4500 Class	\$83,000	\$85,490	\$87,884	\$90,081	\$92,333
5500 Class	\$88,000	\$90,640	\$93,178	\$95,507	\$97,895
Dump Truck	\$75,000	\$77,250	\$79,413	\$81,398	\$83,433
Hybrid SUV	\$35,000	\$36,050	\$37,059	\$37,986	\$38,936
Hybrid Car	\$31,000	\$31,930	\$32,824	\$33,645	\$34,486
Van	\$39,000	\$40,170	\$41,295	\$42,327	\$43,385

- **Maintenance Forecast Assumptions.** The maintenance forecast is based in the five-year average of maintenance costs of the years 2017 through 2021 with a 2.5% annual escalation factor being applied to years 2023 through 2026.

#### IV. CARBON-FREE FLEET GOALS & DIRECTION

- Q18. What are the State of California’s carbon-free fleet goals?
- A18. In September 2020, Governor Newsom enacted Executive Order N-79-20, which created state goals including 100% of in-state sales of new passenger cars and trucks as zero-emission by 2035, 100% of in-state sales of medium- and heavy-duty vehicles as zero-emission by 2045 where feasible, and to transition to 100% zero-emission off-road vehicles and equipment by 2035 where feasible. This builds upon other legislation that supports decarbonization, including Senate Bill No. 32 (Reg. Sess. 2015-2016) (“SB 32”) which requires reducing statewide greenhouse gas emissions to 40% below the 1990 level



1 by 2030 and Senate Bill No. 100 (Reg. Sess. 2017-2018) (“SB 100”) which requires  
2 renewable and zero-carbon resources to supply 100% of electric retail sales to customers  
3 by 2045.  
4

5 Q19. What are benefits of a carbon-free fleet?

6 A19. Achieving the State of California decarbonization goals requires a pathway to a carbon-  
7 free fleet. In the near-term, this will likely include leasing hybrids, but will need to  
8 transition to battery electric vehicles among other potential carbon-free vehicles. A  
9 carbon-free fleet provides a variety of benefits, including improving local air quality  
10 through reduced emissions, potential fuel and maintenance savings, and reduced noise  
11 pollution.  
12

13 Q20. What are California American Water’s current carbon-free fleet transition plans?

14 A20. California American Water does not currently have any formal carbon-free fleet  
15 transition plans. California American Water intends to start converting to hybrid vehicles  
16 in the near-term as vehicles need to be replaced but recognizes that its transition to  
17 carbon-free vehicles may need to accelerate to meet state goals. By eventually  
18 transitioning to a carbon-free fleet, California American Water will comply with state  
19 guidance and support California’s decarbonization goals.  
20

21 Q21. How does a carbon-free fleet align with California American Water’s strategy and  
22 sustainability commitments?

23 A21. American Water’s 2019-2020 Sustainability Report, Attachment 1 to my testimony,  
24 includes a goal to reduce emissions that are controlled or owned by American Water,  
25 including fleet vehicles, and to reduce indirect emissions associated with the purchase of  
26 electricity, steam, heat, or cooling (greenhouse gas emissions) by more than 40% from a  
27 2007 baseline by 2025. California American Water will work to achieve this goal in part  
28 by increasing its alternative-fuel fleet, i.e., conversion to hybrid vehicles.

Q22. What are common challenges and roadblocks in transitioning to a carbon-free fleet?

A22. Many of the common challenges in transitioning to a carbon-free fleet are identified and planned for in the upfront strategy and roadmap development activities. Converting to carbon-free vehicles will often require a higher initial investment for infrastructure improvements and there is a cost premium for carbon-free vehicles. Determining the total cost of ownership is complex, including selecting the appropriate number and type of chargers or other carbon-free fueling stations, identifying available rebates and incentives, and understanding fuel and electricity costs with many different electric service rate options. Another common roadblock for transitioning to a carbon-free fleet is vehicle availability. Light-duty vehicle options have quickly grown, but certain medium- and heavy-duty vehicle types are currently more limited with the expectation that more options will be available in the coming years. These challenges augment California American Water's need for external support from subject matter experts to help develop a Carbon-Free Fleet Strategy & Roadmap as existing staff does not have the bandwidth or expertise to develop this strategy. In addition, California American Water seeks to benefit from lessons learned and best practices that an experienced external party can provide.

## **V. JUSTIFICATION FOR DEVELOPING A CARBON-FREE FLEET STRATEGY & ROADMAP**

Q23. How will developing a Carbon-Free Fleet Strategy & Roadmap benefit California American Water's customers?

A23. A Carbon-Free Fleet Strategy & Roadmap will help California American Water prioritize its fleet conversion to carbon-free vehicles based on location (e.g., optimizing infrastructure costs, maximizing benefits for burdened communities), the total cost of ownership for each vehicle (including available incentives and selecting the most cost-effective electric or other carbon-free rates), and vehicle availability. Through this approach, California American Water seeks to identify a pathway to accelerate its transition to carbon-free vehicles in the most cost-effective manner.

Q24. What are benefits of accelerating the transition to carbon-free vehicles?

A24. There are legislative compliance, cost-effectiveness, and social benefits for accelerating the transition to carbon-free vehicles. In addition to supporting Executive Order N-79-20 and SB 32, accelerating the transition to carbon-free vehicles will help meet Executive Order B-48-18, which sets target of five million zero-emissions vehicles on California roads by 2030. To increase cost-effectiveness, California American Water can benefit from Federal, State, local, and utility programs and incentives may not be available in future years. Societal benefits include better air quality and health, reduced greenhouse gas emissions, and local economic development. In addition, off-peak charging of hybrid and electric vehicles can contribute to better electric grid utilization which can benefit all customers.

Q25. What is the estimated cost of developing the Carbon-Free Fleet Strategy and Roadmap and how long would it take to complete?

A25. California American Water plans to contract for the development of the Carbon-Free Fleet Strategy and Roadmap with West Monroe, a consulting firm that specializes in performing carbon-free fleet assessments and developing conversion strategies aligned with organizational goals and budgetary constraints with its Carbon-Free Fleet Total Cost of Ownership model. The estimated cost of performing this work is \$150,000 and is anticipated to take three (3) to six (6) months to complete.

## **VI. INCLUSION, DIVERSITY, AND EQUITY**

Q26. Please describe California American Water's ID&E journey.

A26. Since 2017 California American Water has worked to embed ID&E into the Company's culture. During 2017, the Company's outreach regarding diversity recruitment evolved into conversations that led to the development of an Inclusion and Diversity Advisory Council made up of individuals from across American Water. In 2018, California American Water established its first Inclusion & Diversity team to further implement the

goals of the Inclusion & Diversity Advisory Council and has continued to be active. In 2022, the concept of equity was included as part of the inclusion and diversity focus.

Q27. What does the California American Water ID&E team do?

A27. The California American Water team supports, advises, and advocates the ID&E priorities of California American Water. The team members meet monthly to discuss plans and ensure the Company is being inclusive of all team members. Our state and local teams have:

- Created and distributed a weekly ID&E email that is sent to all employees and includes ID&E definitions, quotes of the week and monthly diversity events.
- Coordinated monthly celebrations recognizing diverse groups. This includes monthly ID&E social hours via conference calls that have included guest speakers and demonstrations focused on team members learning about diverse cultures and experiences and providing a safe place for employees to share their own experiences.
- Encouraged team members to join our Employee Business Resource Groups (“EBRG’s”). We have four EBRG’s: Together We Stand (Black/African American ERGB), WE CAN (Women’s Empowerment Champion & Ally Network ERGB), American Water Proud (LGBTQ+ ERGB), and Abled (disability ERGB). ERGBs are important to creating a work environment where everyone feels included, heard, and can bring their whole self to work.

Q28. How is the California ID&E team structured?

A28. The California American Water ID&E team consists of one to three ID&E Champions in each of California American Water’s office locations throughout the state. ID&E Champions attend monthly meetings, help produce content for monthly events and engage all other employees in their offices in the Company’s ID&E efforts.

1 Q29. Please describe your responsibilities as the Officer, Business Development, Supplier  
2 Diversity and Inclusion and Diversity at California American Water.

3 A29. I direct our statewide ID&E focus and update the senior leadership team bi-weekly  
4 during senior management meetings. I also update the larger management team during  
5 monthly managers' meetings. During these meetings, we discuss recent and planned  
6 ID&E activities. I also lead the Company's continued commitment to the Commission's  
7 supplier diversity program, General Order 156, which I discuss in more detail below.

8  
9 Q30. What are some of California American Water's ID&E priorities during this rate case  
10 cycle?

11 A30. Our current ID&E priorities for this rate case cycle include:

12  
13 i) We will continue to refine processes and procedures to support our transition from  
14 ID&E Champions to Culture Champions and Culture Teams. In 2022, we shifted  
15 our primary focus on ID&E to include focusing on our local teams' overall  
16 culture which includes ID&E, Health/Safety, Wellness and Employee  
17 Engagement. During this rate case cycle we will focus on the necessary education  
18 / training to enhance our local team's overall culture. Again, ID&E is just a part  
19 of this overall culture focus.

20  
21 ii) We will continue to provide specific ID&E Training to ensure our leaders and  
22 frontline team members enhanced understanding key areas of ID&E: Equity vs  
23 Equality, Allyship, etc.

24  
25 iii) We will develop and monitor ID&E expectations for all levels of the organization  
26 including clearly identifying expectations. We will develop enhanced training  
27 materials that clearly identifies what is expected of leaders from a diversity and  
28 equity perspective.

1           iv) The Company is also focusing on making effective and efficient use of Company  
2           time by requiring meeting organizers to start each meeting with “weCARE”  
3           moments, which are short messages on safety, wellness and/or ID&E. California  
4           American Water believes starting meetings with short, meaningful weCARE  
5           messages fosters an environment where our people can work safely, both  
6           physically and emotionally, generate great ideas, provide better customer service,  
7           and make a difference in the communities we serve.

8  
9   Q31.   What are some accomplishments of the California American Water ID&E team?

10   A31.   The ID&E team was important partner in launching the Respect and Dignity and  
11           Unconscious Bias training that was required of all employees. During the social unrest in  
12           2021 the Company hosted a forum for employees to engage in dialogues that emphasized  
13           our commitment to emotional safety and building a workplace free from injustice,  
14           inequality, and racism. We continue to host monthly virtual sessions where all employees  
15           are invited and encouraged to share their experiences.

16  
17           In 2021, the ID&E team helped launched a new Inclusion and Diversity Grant Program.  
18           The purpose of this grant program is to dedicate funding to community organizations for  
19           the purpose of advancing inclusion and diversity-related initiatives. Our Inclusion and  
20           Diversity Grant Program provided financial assistance to small, non-profit organizations,  
21           seeking to develop and implement programs, training or community-related projects that  
22           aim to promote and foster inclusion and diversity in underserved communities, located  
23           within our service footprint. We awarded eight (8) organizations with grants in the  
24           amount of Two Thousand Five Hundred Dollars (\$2,500) each. Some of the  
25           organizations included TransFamily Support Services, Veterans in Business, Asian  
26           Business Association, and Black Business Association.

1 The ID&E team also coordinates an annual Inclusion Day, which is a day when the entire  
2 Company from executive leadership to our front-line employees focus on our ID&E  
3 journey and we learn how every person has a part in moving the needle. We encourage  
4 no meetings or service calls on this day to provide all employees the opportunity to  
5 participate in ID&E related presentations, trainings, and workshops.

6  
7 Each month our ID&E Champions also highlight different celebrations and causes such  
8 as Black History Month, Women's History Month, LGBTQ+ Pride Month, Mental  
9 Health Awareness Month, and Hispanic Heritage Month, etc. These recognitions are  
10 intended to create an inclusive culture, while raising awareness and understanding about  
11 our diverse workforce.

12  
13 In 2021, American Water also released its Inclusion and Diversity Annual Report, a copy  
14 of which is included as Attachment 2 to my testimony. The report shares the Company's  
15 commitment to inclusion and diversity, strategies, practices, policies, and priorities from  
16 across the business. The report includes more than one hundred (100) data points related  
17 to our culture of inclusion. Areas that are highlighted within the report include our  
18 pledge, workforce diversity metrics, workforce diversity from different perspectives,  
19 supplier diversity, training, ID&E Council, ID&E Champion Network, Employee  
20 Business Resource Groups, strategic partnerships, awards, and recognitions. In 2022,  
21 American Water released its 2<sup>nd</sup> Annual Inclusion and Diversity Annual Report, a copy of  
22 which is included as Attachment 3 to my testimony. California American Water has a  
23 strong commitment to having a workforce that reflects the communities we serve. This  
24 includes California American Water's Board of Directors. Of the seven (7) Directors on  
25 California American Water's Board, four (4) Directors are women, and three (3)  
26 Directors identify as ethnically or racially diverse.

27  
28 Q32. Please described California American Water's efforts to increase supplier diversity.

1 A32. Over the years, we have made several key efforts to increase our engagement of diverse  
2 suppliers. For example, California American Water implemented a Supplier Diversity  
3 Practice that clearly identifies the supplier diversity process and procedures. California  
4 American Water also started including a Diverse Business Enterprises (“DBE”) Statement  
5 in contracts valued at One Hundred Thousand Dollars (\$100,000) or more. The  
6 DBE Statement asks vendors commit to a percentage of their contract value to being tied  
7 directly to diverse suppliers. California American Water monitors and tracks the vendor's  
8 performance and where necessary we coordinate calls to discuss how we can help if the  
9 vendor is not meeting their commitment. California American Water also implemented a  
10 Partnering Forward for Success Program designed to increase our prime supplier's  
11 engagement in our efforts to include subcontractors in California American Water  
12 projects. As a result of these efforts, California American Water has met or exceeded the  
13 Commission’s goals in all three (3) diverse supplier categories for 2021, 2020 and 2019:  
14 Minority Business Enterprise, Women Business Enterprise and Disabled Veteran  
15 Business Enterprise.

16  
17 **VII. THE COMMISSION’S ENVIRONMENTAL AND SOCIAL JUSTICE PLAN**

18 Q33. Has California American Water reviewed the Commission’s Environmental and Social  
19 Justice Plan Version 2.0 (“ESJ Plan”)?

20 A33. Yes. The Commission recently adopted the ESJ Plan, which is an operating framework to  
21 be used by the Commission to integrate environmental and social justice considerations  
22 into its work.

23  
24 Q34. Do the requests made in this application take into consideration the ESJ Plan?

25 A34. Yes. As indicated in the Commission’s work plan to support environmental and social  
26 justice, many of these goals are to be achieved through Commission actions, not actions  
27 of the entities regulated by the Commission. Nonetheless, the requests made in this  
28 application generally further the Commission’s ESJ goals, as discussed below.



1 Q35. Does this application take into consideration ESJ Plan Goal 1: consistently integrate  
2 equity and access considerations throughout Commission regulatory activities?

3 A35. As noted above, this is a goal for the Commission, not regulated utilities. Nonetheless,  
4 California American Water has always understood and approached our operations,  
5 customer service and overall customer interactions understanding we service  
6 communities of different backgrounds, experiences and needs. This is evident from our  
7 many programs which help underrepresented communities communicate with us (through  
8 our language service lines), payments assistance (through our Hardship Program and  
9 Customer Assistance Program (“CAP”) discussed in Sections V and VII of the Direct  
10 Testimony of Patrick Pilz) and ensure continued water services (through our expanded  
11 customer service hours and contact center). California American Water is also making  
12 several proposals in this application to address affordability through consolidation,  
13 statewide normalization of acquisition and catastrophic event costs, low-income  
14 conservation programs, expanding payment assistance and mitigating rate impacts for  
15 acquired systems and Monterey wastewater. These proposals are addressed Section IV of  
16 the Direct Testimony of Jeffrey T. Linam regarding Special Request #s 4, 5, 6, 10, 16 and  
17 18. California American Water also increased our focus internally and externally on  
18 underrepresented communities and team members when we developed our overall  
19 Diversity and Inclusion focus around 2018. California American Water was focused on  
20 this well before the unfortunate George Floyd incident in 2020. We have and will  
21 continue to support the ESJ Plan goals as we believe everyone has the right to safe and  
22 reliable water service.

23

24 Q36. Does this application take into consideration ESJ Plan Goal 2: increase investment in  
25 clean energy resources to benefit ESJ communities, especially to improve local air  
26 quality and public health?

27

28

1 A36. Consistent with ESJ Plan Goal 2, as described above, California American Water is  
2 planning to increase hybrid vehicles within its fleet and is requesting funds for a Carbon-  
3 Free Fleet Strategy and Roadmap.

4  
5 California American Water is working to complete four battery storage projects, which  
6 are incentivized by the Self Generation Incentive Program (“SGIP”) which is a  
7 partnership between the Commission and regulated electric utilities. The program offers  
8 financial incentives to applicants for the installation of clean, efficient, on-site distributed  
9 energy systems at their facilities that are designed to meet all or a portion of the facilities  
10 electric energy needs. These projects will provide power to the facilities for twenty-four  
11 (24) hours if electrical power is lost in-lieu of using gas-powered generators. Two  
12 projects are being completed in Ventura at the Dewey and American Oaks pump stations  
13 and two battery storage projects are underway in the Northern District, one in Larkfield  
14 and the other in Hillview.

15  
16 A clean energy capital investment project is located in California American Water’s San  
17 Diego County District that includes the installation of a micro-hydroelectric turbine  
18 generator (“HTG”) unit at the Highland Tank site. The purpose of this project is to utilize  
19 the excess pressure head in the tank’s existing water supply pipelines to produce  
20 electrical energy that would otherwise be lost. The amount of power generated by this  
21 turbine generator is estimated to be between 64kW and 150 kW with the project currently  
22 in the construction phase.

23  
24 In 2017, California American Water completed installation of solar panels at the Beloit  
25 office with the goal using renewables to help power the energy needs of this location  
26 going into the future.

1 Q37. Does this application take into consideration ESJ Plan Goal 3: strive to improve access to  
2 high-quality water, communications, and transportation services for ESJ communities?

3 A37. Yes. The ESJ Report Objective for this goal for water is “Support ESJ customers and  
4 communities with discounted rates for low-income customers and sustainable systems.”  
5 California American Water’s CAP, discussed Section V of the Direct Testimony of  
6 Patrick Pilz, is “best in class,” providing twenty percent (20%) discounts on billing for  
7 normal residential water use. In this application, California American Water is proposing  
8 to increase that discount to twenty-five percent (25%). Our conservation rate designs also  
9 support affordability by making the price of essential indoor water use lower than the cost  
10 of service for residential water customers. Our acquisition and consolidation of water and  
11 wastewater systems is expanding the Human Right to Water in California and allowing  
12 customers to access an array of new programs and services that would not otherwise be  
13 available in their area.

14  
15 Operationally, California American Water conducts annual maintenance and repairs, as  
16 well as taking swift action when needed to secure reliability of high-quality water  
17 supplies for its customers, including ESJ communities. Just since January 2021, nearly  
18 one thousand four hundred (1,400) leaks were repaired. Speedy leak repair, especially in  
19 time of drought, is critical to reduce water loss and to be a water conservation example to  
20 communities. To make certain those leaks can be fixed with the least disruption, during  
21 that same timeframe the Company exercised more than twelve thousand (12,000)  
22 isolation valves. By ensuring these valves are working properly, a leak on a main water  
23 line can be isolated and repaired with very few customers experiencing an interruption to  
24 their water service.

25  
26 Systematically flushing a water system by strategically opening fire hydrants to push  
27 water through the lines is a way to refresh a water system and remove standing water. But  
28 during times of drought, water companies like California American Water need to be

1 cognizant of the amount of water that can be lost during a full flushing program, as well  
2 as the perception of water waste. Given this, the Company suspends its flushing programs  
3 during dry times. It does so without the risk to water quality, utilizing targeted flushing in  
4 specific areas suspected to be problematic or at the request of a customer.

5  
6 With regard to water quality, the Company is highly focused on providing water that  
7 meets all state and federal water quality standards to its customers, including its ESJ  
8 communities. Since the beginning of 2021, more than 169,000 water compliance samples  
9 were collected and analyzed, resulting in a pristine water quality compliance record.

10  
11 Q38. Does this application take into consideration ESJ Plan Goal 4: increase climate resiliency  
12 in ESJ communities?

13 A38. In the ESJ Plan, this goal is focused on the Climate Change Proceeding, which is mainly  
14 energy focused. California American Water's application does, however, contain  
15 numerous capital projects that may reduce environmental vulnerabilities in ESJ  
16 communities.

17  
18 With climate change and variability, the need for diversifying infrastructure and water  
19 supply sources for drought conditions is ever more critical. Given the reduction in  
20 available diversions from the Carmel River, California American Water is pursuing a  
21 three-pronged approach to ensure sufficient, reliable and drought-proof water supplies in  
22 its Monterey District, including recycled water, desalination, and storage of excess  
23 Carmel River winter flows (Aquifer Storage and Recovery). Specifically, California  
24 American Water is a partner in the Pure Water Monterey recycled water project, which is  
25 currently providing up to 3,500 acre-feet of recycled water to the Monterey District and is  
26 working with our partners to expand this project by another 2,250 acre-feet. Furthermore,  
27 the Company continues to seek all authorizations needed for its desalination project to  
28 provide Monterey District with a sufficient and drought proof source of supply. In the

1 Northern District, California American Water completed a supply study to examine  
2 alternate sources of supply instead of groundwater that can serve future new growth,  
3 specifically in West Placer area.  
4

5 Furthermore, California American Water is completing an assessment of its assets located  
6 in high wildfire risk zones identified by Cal Fire. For those assets identified at risk and  
7 determined critical and vulnerable, an emergency and protection plan will be developed  
8 to increase resilience of these assets. Additionally, maintaining power during a wildfire  
9 event is critical so that water service can be maintained, so California American Water  
10 completed a generator study and has been installing generators at these critical facilities  
11 in help maintain water service to communities during wildfire events or other severe  
12 weather occurrences.  
13

14 Q39. Does this application take into consideration ESJ Plan Goal 5: enhance outreach and  
15 public participation opportunities for ESJ communities to meaningfully participate in the  
16 Commission's decision-making process and benefit from Commission programs?

17 A39. Yes. California American Water maintains a complete Spanish language website that is  
18 identical to our English language website with the exception of some PDF documents. In  
19 order to provide excellent service to customers, we will also provide complete  
20 translations of GRC notices in Spanish and make them available to Spanish speaking  
21 customers via the website and use tags on our customer notices as appropriate to direct  
22 customers to that service if they have questions. Our Customer Service Center and field  
23 employees have access to live translation services in all commonly spoken languages in  
24 our service areas to help facilitate communications with customers who speak languages  
25 other than English. This service is available to any customer who contacts us via phone,  
26 in-person at an office or in the field.  
27  
28

1 Our External Affairs Team conducts outreach around each rate case application in our  
2 communities. We meet with interested stakeholders to share details of the GRC and  
3 conduct community meetings to educate customers about rates, infrastructure projects,  
4 water quality, customer service and more. We are committed to making appropriate  
5 translation and accessibility accommodations when they are requested. California  
6 American Water regularly updates city councils and county supervisors, but we recognize  
7 that some ESJ communities reside in unincorporated areas that have fewer connections to  
8 their local government. In those cases, we offer speaking opportunities to local advisory  
9 commissions, homeowners associations, social justice and neighborhood groups to help  
10 inform customers and create dialogue around water and wastewater service.

11  
12 Q40. Does this application take into consideration ESJ Plan Goal 6: enhance enforcement to  
13 ensure safety and consumer protection for all, especially for ESJ communities?

14 A40. No, this is a Commission goal.

15  
16 Q41. Does this application take into consideration ESJ Plan Goal 7: promote high road career  
17 paths and economic opportunity for residents of ESJ communities?

18 A41. Yes. On behalf of California American Water, I serve as the California Water  
19 Associations (“CWA”) Diversity, Equity and Inclusion (“DEI”) Committee Chairperson.  
20 This committee was formed in 2020 and one of its many goals is increasing workforce  
21 diversity across the CWA member utilities. This committee is developing a workforce  
22 development strategy which focuses on underrepresented communities. The strategy  
23 (under my leadership) includes development of processes/procedures focused on  
24 mentorships, internships and working with other partners to educate high school and  
25 college students in underrepresented communities (or at minimum outreach efforts to  
26 educate this same group) about training and education at local area high schools and  
27 colleges. We are also exploring educational funding options for members of this  
28 community. CWA member utilities also signed on as a partner for California African

American Water Education Foundation's workforce grant which will hopefully be approved by the California Workforce Development Board. This grant will provide needed funds to create sustainable programs focused on training and ultimately increasing the number of diverse candidates and jobs for those in underrepresented communities. In addition, the CWA DEI Committee is exploring specific ways to increase availability of jobs in underrepresented communities through high school and college programs including mentoring and internships. California American Water will incorporate these agreed upon CWA workforce plans in our workforce processes and effort. In addition, I will work with California American Water's Human Resources Business Partner to ensure we are educating organizations representing underrepresented communities on workforce development opportunities. In concert with this effort, we will also enhance communications to these same organizations regarding job openings.

Q42. Does this application take into consideration ESJ Plan Goal 8: improve training and staff development related to environmental and social justice issues within the Commission's jurisdiction?

A42. Although this is also a Commission goal, California American Water through its ID&E focus is continuing to provide its team members with the training and tools to enhance their understanding and how to better interact with customers and members of underrepresented communities. This includes but is not limited to our monthly acknowledgement of various ethnic communities' heritage months and weekly ID&E emails. In 2022, our focus is on Allyship and more specifically how team members can be an ally for someone else. Every employee will be required to complete allyship training on how to become a better ally in the workplace. Team members are also encouraged to join one of four EBRG's to help them understand the successes and challenges members of those groups face every day.

1 Q43. Does this application take into consideration ESJ Plan Goal 9: monitor the Commission's  
2 environmental and social justice efforts to evaluate how they are achieving their  
3 objectives?

4 A43. No, this is a Commission goal.  
5

6 Q44. Does this complete your testimony?

7 A44. Yes, it does.  
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# ATTACHMENT 1

# VITAL EFFICIENT SUSTAINABLE

2019–2020 SUSTAINABILITY REPORT



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# About This Report

102-12, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55

This report constitutes our sixth biennial Sustainability Report, covering our sustainability performance for calendar years 2019 and 2020. We prepared this report in accordance with the Global Reporting Initiative (GRI) Standards: Core option. In this report, we also disclose several standards from the Sustainability Accounting Standards Board (SASB) and the Edison Electric Institute (EEI). In addition, we reference the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, providing information and data related to our approach to managing climate risk across the enterprise. We also take into consideration the United Nations Sustainable Development Goals (UNSDGs) and we submit responses to the S&P Global Corporate Sustainability Assessment (CSA) and CDP Climate Change annually. Please see our content indices for specific references to each framework.

Preparing this report provides a valuable opportunity to assess and improve upon our environmental, social and governance (ESG) progress and performance. We welcome your feedback on this report. Please contact our Senior Vice President of Communications and External Affairs, Maureen Duffy, at [Maureen.Duffy@amwater.com](mailto:Maureen.Duffy@amwater.com) with questions or feedback.

Our 2017–2018 Sustainability Report, published in September 2019, is available [here](#).



# Greetings From Our President & CEO

102-14



We are proud to present you with our 2019–2020 Sustainability Report. Today's stakeholders expect corporations to provide leadership on environmental, social and governance (ESG) principles and make a positive

impact. At American Water, we pursue our ESG goals because we believe it is the right thing to do.

For us, delivering a reliable supply of safe, clean and affordable water service to our customers and treating their wastewater is fundamental to our business. We are also committed to limiting our impact on the environment and supporting the sustainability of a key renewable resource to strengthen the communities we serve.

We know that supporting an ESG agenda is critical to the long-term success of our company. That is why our leadership in ESG is so meaningful. When we reduce safety incidents, sustain and modernize our infrastructure, provide an excellent customer experience and strive to make American Water a place where everyone's differences are celebrated, we are living our ESG philosophy.

ESG is yet another powerful approach for us to assess our performance. When we focus on long-term sustainability, our communities thrive, our customer base grows and customer experience and customer satisfaction continues to improve. When we invest in our infrastructure and increase water efficiency through leak detection and efficient water use, we pump less water, reduce our energy costs and greenhouse gas (GHG) emissions and provide a greater return for our investors.

We recognize that our approach to ESG continues to evolve and there are always improvements to be made. In February 2021, we refined our GHG emissions goal and set new targets for climate variability/water supply resilience and water use and efficiency, including:

- By 2025, reduce absolute scope 1 and scope 2 GHG emissions by more than 40% from a 2007 baseline;
- By 2030, increase water system resiliency to respond to more extreme events by increasing our Utility Resilience Index (URI) weighted average by 10% from a 2020 baseline; and
- By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline.

We also updated our Code of Ethics in December 2020 and established a Supplier Code of Conduct, requiring our suppliers to operate in accordance with our business ethics and approach to environmental stewardship.

It is because of this ongoing commitment to integrating ESG principles throughout our business that American Water continues to be recognized for our leadership. In 2020, we received the highest S&P Global Ratings ESG Evaluation score given to a U.S. company and the second highest globally. For the third year in a row, Barron's named us to its list of the 100 Most Sustainable Companies as the highest ranked utility, coming in at 22nd for 2020 and we achieved a ranking of 16th on the Corporate Knights' Global 100 Most Sustainable Corporations in the World index. In 2021, we moved up in our rankings from Barron's and Corporate Knights to 15th and 9th, respectively, recognized as the highest ranked U.S. water utility in the world. As we reflect on our progress in 2019 and 2020, we are appreciative for the recognition provided by these rankings and remain focused on improvement. Thank you for your interest in our company.

A handwritten signature in black ink, appearing to read 'Walter Lynch', with a stylized flourish at the end.

**Walter Lynch**  
President and Chief Executive Officer

## ENVIRONMENT

American Water plans to invest \$22 to \$25 billion in capital from 2021 to 2030 to continue to maintain the quality and reliability of our water and wastewater systems, increase the resiliency of critical assets as well as increase energy conservation efforts. We are on track to meet our goal to reduce absolute scope 1 and scope 2 GHG emissions by more than 40% by 2025 from a 2007 baseline. By 2030, we will increase our water system resiliency to respond to more extreme events by increasing our URI weighted average by 10% from 2020 baseline; and by 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline.



**>40%**

**REDUCTION IN  
ABSOLUTE SCOPE 1  
AND SCOPE 2 GHG  
EMISSIONS BY 2025  
FROM A 2007 BASELINE**

## SOCIAL

American Water has an inclusive and diverse culture, reporting an 84% diverse job candidate pool, 44% overall diverse employee base (determined through voluntary self-reporting) and 45% of our workforce represented by unions<sup>[1]</sup>. We set goals in 2021 to increase representation of females and racial minorities across our workforce and in leadership roles. In 2020, we delivered over 100,000 hours of annual employee safety training and made \$7 million in donations to organizations through grants, scholarships, general charitable contributions, programming support, assisting customers in paying their water and wastewater bills and more.

<sup>1</sup> As of December 31, 2020



**44%**

**OVERALL DIVERSE  
EMPLOYEE BASE  
(DETERMINED  
THROUGH VOLUNTARY  
SELF-REPORTING)**

## GOVERNANCE

Our Board of Directors, led by an independent non-executive chair, reflects our commitment to governance. Our Board prioritizes diversity with five of 11 members self-identifying as female and two self-identifying as racially diverse<sup>[2]</sup>. The Board also reflects a wide range of experiential diversity. Our directors' average tenure is approximately 6.5 years, and all directors have stock ownership requirements that align with long-term interests of our shareholders.

<sup>2</sup> As of March 2021



**5**

**OF 11 BOARD MEMBERS  
SELF-IDENTIFY  
AS FEMALE**





# About American Water

102-2, 102-4, 102-6, 102-7

**Vital, efficient and sustainable**—our services do more than simply deliver water to our customers. Water is the only consumed utility. We know that people depend on us to deliver safe, clean and reliable water service that is also affordable. Our customers, employees, partners and the people and institutions who invest in us expect and deserve nothing less. Every community should be stronger because we are there.

What's good for our environment, customers, employees and communities has also proven to be good for our shareholders and financial sustainability as a company. However, our ultimate measure of success is broader than just dollars and cents. Success is driven by a single, overriding purpose: to help KEEP LIFE FLOWING for our customers every day.

We are uniquely positioned to provide this essential service through two lines of business: regulated and market-based businesses. We are the largest and most geographically diverse publicly traded water and wastewater utility company in the United States (U.S.), headquartered in Camden, New Jersey and listed on the New York Stock Exchange under the ticker symbol "AWK." We employ more than 7,000 dedicated professionals who provide essential regulated and market-based drinking water, wastewater and other related services to more than 15 million people in 46 states.

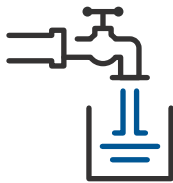
## Organizational Leadership Changes

- July 1, 2019—Susan Hardwick becomes Executive Vice President and Chief Financial Officer
- January 1, 2020—Maureen Duffy becomes Senior Vice President Communications and External Affairs
- April 1, 2020—Walter Lynch becomes President and Chief Executive Officer
- June 1, 2020—William Varley becomes Chief Growth Officer
- August 31, 2020—Adam Noble becomes Chief Technology and Innovation Officer
- October 13, 2020—Valoria Armstrong becomes Chief Inclusion Officer and Inclusion & Diversity (I&D) department established
- December 10, 2020—Melanie Kennedy becomes Senior Vice President and Chief Human Resources Officer
- March 1, 2021—Cheryl Norton becomes Executive Vice President and Chief Operating Officer

# Regulated Footprint<sup>[1]</sup>

Our primary business involves providing water and wastewater services to residential, commercial, industrial, public authority and industrial customers. The properties of the Company's Regulated Businesses consist mainly of:

<sup>1</sup> Approximations of our primary operating assets as of December 31, 2020.



**609**

WATER TREATMENT  
PLANTS



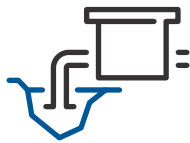
**79**

SURFACE WATER  
TREATMENT PLANTS



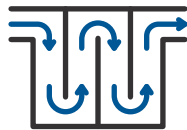
**530**

GROUNDWATER  
TREATMENT PLANTS



**53,200**

MILES OF PIPE



**1,300**

STORAGE FACILITIES



**1,100**

GROUNDWATER  
WELLS



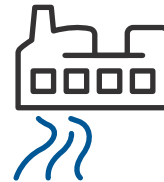
**1,600**

PUMPING STATIONS



**150**

WASTEWATER  
TREATMENT PLANTS



**75**

DAMS



Our national regulated footprint provides regulatory and geographic diversity through operations in 16 states across 1,700 communities, with over 3.5 million active customers in our water and wastewater networks.



We provide clean, safe, reliable and affordable water and/or wastewater services for our customers in the following states:

#### California & Hawaii

- [California American Water](#)
- [Hawaii American Water](#)

#### Eastern

- [Maryland American Water](#)
- [New Jersey American Water](#)
- [New York American Water](#)
- [Virginia American Water](#)

#### Mid-Atlantic

- [Pennsylvania American Water](#)
- [West Virginia American Water](#)

#### Midwest

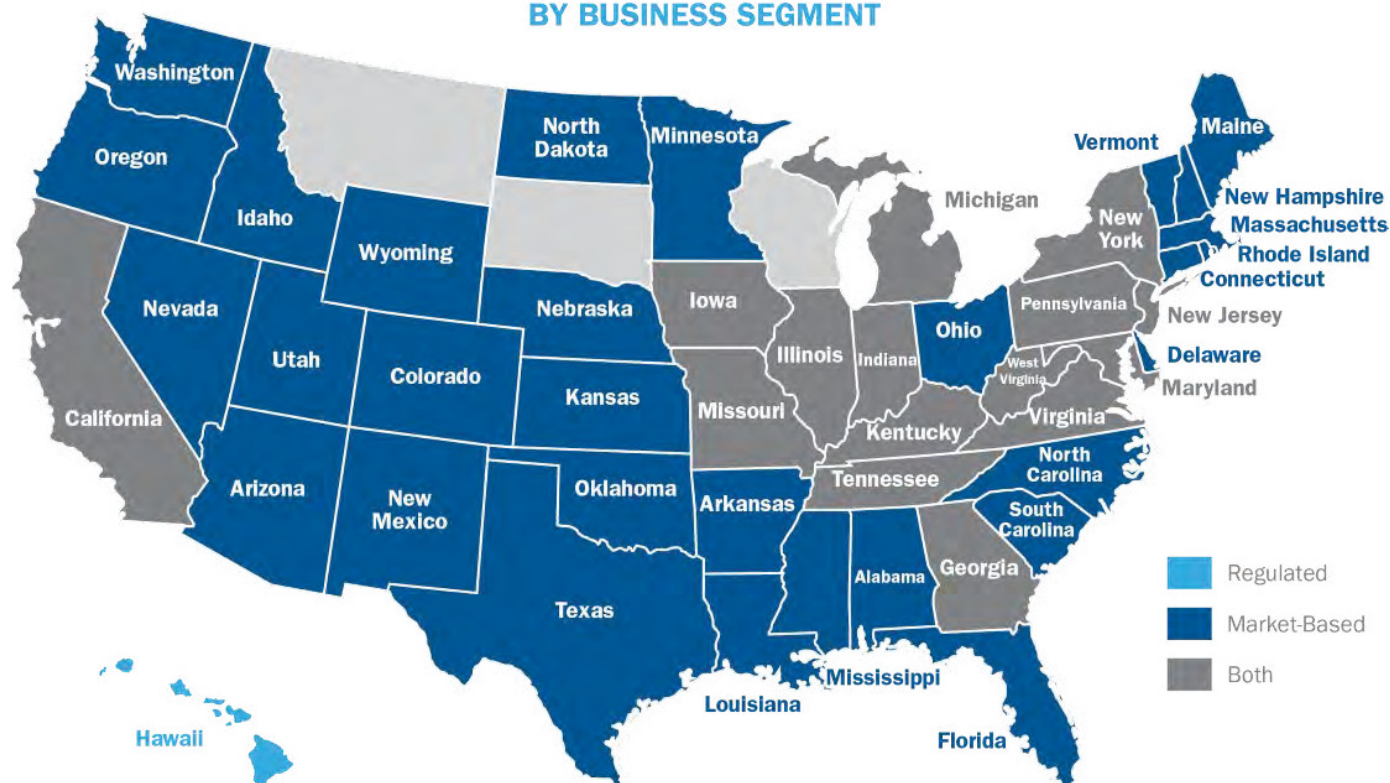
- [Illinois American Water](#)
- [Indiana American Water](#)
- Iowa American Water
- Michigan American Water
- [Missouri American Water](#)

#### Southeast

- [Kentucky American Water](#)
- [Tennessee American Water](#)<sup>1</sup>

<sup>1</sup> Tennessee American Water provides water to part of northern Georgia.

### AMERICAN WATER FOOTPRINT BY BUSINESS SEGMENT



## Market-Based

In addition to our regulated operations, we also provide complementary water and wastewater services through our market-based businesses. These services leverage our core competencies, provide free cash-flow and are capital-light. Our market-based businesses include the following:

- [Homeowner Services Group](#) (HOS) provides various warranty protection programs and other home services to residential customers. As of December 31, 2020, our Homeowner Services Group had approximately 3 million customer contracts in 43 states, and partnership agreements with utilities, municipalities and other organizations.
- [Military Services Group](#) (MSG) provides water and wastewater services to various military installations across the country. We currently operate 50-year contracts at 17 military installations across the nation as part of the U.S. Government's Utilities Privatization Program.

## Our Values

102-16

Our values of safety, trust, environmental leadership, teamwork and high performance are the foundation of our ethical culture. Our values also contribute to a high-integrity, transparent workplace where employees feel safe bringing their whole selves to work. Here's a deeper look at how we apply our values at work every day.

### Safety

Safety will always be the top focus for us—for every employee, customer and community we serve. This includes physical safety, emotional safety and health and wellbeing. Nothing is more important.

### Trust

Trust is built through one interaction at a time. We are committed to a mutually respectful and inclusive workplace for all employees. We do what we say and say what we do, treat each other with respect, listen to one another through open and honest conversations and speak up when we see something is not right. This is how we build and sustain high levels of employee and customer trust.

### Environmental Leadership

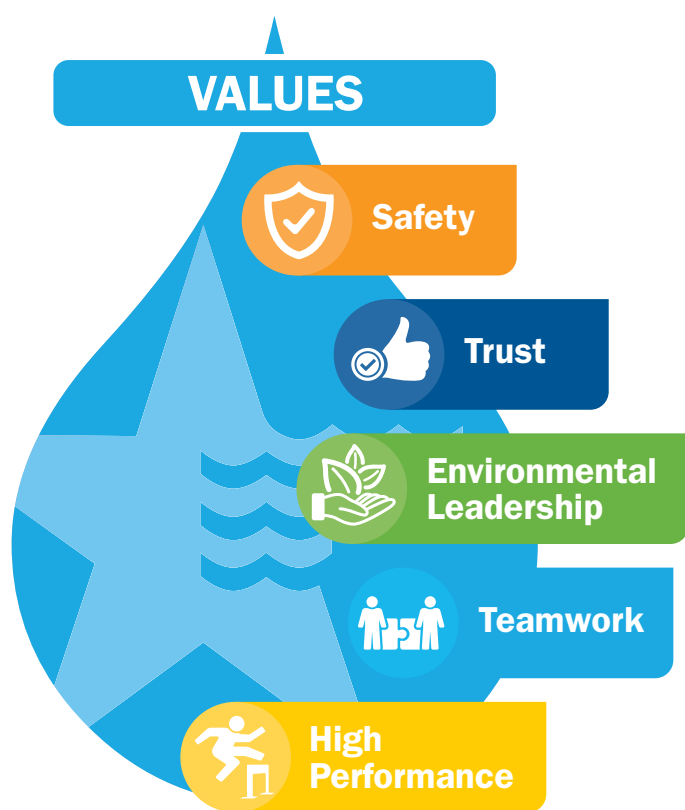
Environmental Leadership means delivering safe, clean, reliable and affordable water and wastewater services. We protect our water sources and use this precious resource wisely. Our work is about excellence and the highest levels of care for our resources.

### Teamwork

Teamwork is being at our personal best every day by helping to ensure that every employee is empowered, and their voice is heard. We work together toward our common goals by sharing and debating ideas, leveraging our diversity, respecting differences of opinions and being accountable for our actions.

### High Performance

High Performance means we all aspire to be our best, particularly because what we do is so critical to the lives of our customers. Performing at our best includes getting the fundamentals right every time, managing risks and addressing issues quickly and transparently.



# Our Strategy

Our purpose and values underpin our overall business strategy. Our “strategy wheel” features five key focus areas for our company and illustrates how we work to achieve our vision. Each focus area ties to specific performance aspirations and goals designed to deliver continuous improvement for years to come.

## Safety

Safety is both a strategy and a core company value. To us, safety is more than just “the right thing to do”—it’s the culmination of both physical and emotional safety. The health and safety of our employees and contractors is a leading indicator of our company’s health. Simply put, if we get safety right, we can get everything else right.

## People

Maintaining an environment where our people feel valued, included and accountable is critical to our ability to serve our customers every day. We continuously work together to create an environment where employees can live up to their fullest potential and feel confident that what they do directly contributes to our company’s ability to stay strong, grow and make a difference in our customers’ lives. We are a safe, healthy and inclusive organization with a highly skilled workforce ready for the future.

## Operational Excellence

Our operational excellence strategy helps us to find better and more efficient ways to do business and to provide safe, clean and affordable water services for our customers. We leverage technology and process optimization to support the consistent execution of the fundamentals and business strategy. As the largest water and wastewater company in the U.S., we assume the responsibility to go beyond minimum requirements and be an industry leader in operational and environmental excellence.

## Growth

We believe that when companies grow, they can invest more in creating stable jobs, training, benefits, infrastructure and our communities. We are industry leaders in critical infrastructure investment and customer growth. Our growth benefits all our stakeholders, including our shareholders.

## Customers

Our customers are at the center of everything we do and every decision we make. We want to provide a superior customer experience across our diverse customer base and be the trusted leader in water quality, water management, system resiliency and environmental stewardship. If our customers had a choice as to who serves them, we want them to choose us. Customer input, along with empathy for our customers’ ideas and experiences, drives how we change and improve our processes and systems. We are committed to showing customers and communities that we care about them. As a result, our customer base continues to grow and the overall customer experience continues to improve.



## Capital Plan

During our 2021 Investor Day, we announced updated five- and 10-year capital plans. Under our five-year plan, we expect to invest approximately \$10.3–10.5 billion from 2021–2025. This includes an approximate \$1.3 billion increase over our most recent five-year plan. This increase compliments the adjusted growth triangle outlining our expectations of business growth, highlighting an increase to the expected regulated acquisitions during this timeframe.

## Our Long-Term Environmental Goals

In 2020, we completed a comprehensive goals benchmarking process that led to the adoption of two new environmental goals, and a refinement of a third, focused on three key topic areas: Energy & Emissions, Climate Variability/Water Supply Resilience and Water Use & Efficiency. We implemented these goals in 2021 and we will report on our progress in our next Sustainability Report.

### Energy & Emissions

By 2025, reduce our absolute scope 1 and scope 2 GHG emissions by more than 40% from a 2007 baseline. We will work to achieve this goal by continuing to improve energy and water efficiency, increasing our alternative-fuel fleet and continuing to encourage water efficient appliances and fixtures.

### Climate Variability & Water Supply Resilience

By 2030, increase our water system resiliency to respond to more extreme events (measured as a 10% increase in URI from the 2020 baseline weighted average). By committing 8% of our total capital investment to resiliency projects each year and continuing to strengthen our workforce through incident management training and emergency preparedness, we will be able to increase our ability to absorb and/or cope with an incident and return to normal operations.

### Water Use & Efficiency

By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline. We will achieve this target by expanding best practices from existing conservation programs, utilizing innovative technologies, and investing capital to improve system performance. These actions will reduce water loss and non-revenue water, minimize customer rate impacts, and continuing to benefit from the ongoing national trend of declining residential water use related to fixtures and appliances.



**>40%**

REDUCTION IN  
ABSOLUTE SCOPE 1  
AND SCOPE 2 GHG  
EMISSIONS BY  
2025 FROM A  
2007 BASELINE

**10%**

INCREASE IN OUR  
WATER SYSTEM  
RESILIENCY TO  
RESPOND TO MORE  
EXTREME EVENTS  
BY 2030 FROM  
THE 2020 BASELINE  
WEIGHTED AVERAGE

**15%**

SAVINGS IN WATER  
DELIVERED PER  
CUSTOMER BY  
2035 COMPARED  
TO A 2015 BASELINE





# PERFORMANCE HIGHLIGHTS

**#15**

HIGHEST RANKED UTILITY  
ON BARRON'S 2021 100 MOST  
SUSTAINABLE COMPANIES

**59%**

MINORITY, FEMALE, VETERAN OR  
DISABLED CANDIDATES TRANSFERED  
OR PROMOTED IN 2020

**72.7%**

OVERALL BOARD DIVERSITY,  
INCLUDES FEMALE, VETERAN AND  
RACIALLY DIVERSE DIRECTORS<sup>[1]</sup>

**\$10.3–10.5B**

IN CAPITAL INVESTMENTS  
FROM 2021–2025

**27%**

BETTER THAN INDUSTRY  
AVERAGE PIPE RENEWAL  
RATE (135-YEAR CYCLE)<sup>[2]</sup>

**~36%**

LOWERED GHG EMISSIONS  
THROUGH DECEMBER 31, 2020  
SINCE OUR BASE YEAR OF 2007

**67%**

REDUCTION IN WORKPLACE  
INJURIES SINCE 2015<sup>[2]</sup>

**100%**




TOP SCORING COMPANY ON THE  
DISABILITY EQUALITY INDEX FOR THE  
THIRD CONSECUTIVE YEAR IN 2021

<sup>1</sup> As of March 2021

<sup>2</sup> As of December 2020

# United Nations Sustainable Development Goals

Our business most aligns with the following UN Sustainable Development Goals (UNSDGs) and their interactions with our material topics. Please refer to listed sections to read more about our approach and performance for these topics.

UNSDG	American Water Material Topics
 <b>UNSDG 4</b> Good Education	<ul style="list-style-type: none"> <li>■ <a href="#">Local Communities</a></li> </ul>
 <b>UNSDG 6</b> Clean Water & Sanitation	<ul style="list-style-type: none"> <li>■ <a href="#">Policy Influence</a></li> <li>■ <a href="#">Local Communities</a></li> <li>■ <a href="#">Water Quality &amp; Emerging Contaminants</a></li> <li>■ <a href="#">Water Infrastructure</a></li> <li>■ <a href="#">Water Supply Resilience</a></li> </ul>
 <b>UNSDG 9</b> Industry, Innovation & Infrastructure	<ul style="list-style-type: none"> <li>■ <a href="#">Policy Influence</a></li> <li>■ <a href="#">Water Infrastructure</a></li> <li>■ <a href="#">Climate Variability</a></li> <li>■ <a href="#">Water Supply Resilience</a></li> <li>■ <a href="#">Water Use &amp; Efficiency</a></li> </ul>
 <b>UNSDG 11</b> Sustainable Cities	<ul style="list-style-type: none"> <li>■ <a href="#">Water Infrastructure</a></li> <li>■ <a href="#">Climate Variability</a></li> <li>■ <a href="#">Water Supply Resilience</a></li> </ul>
 <b>UNSDG 13</b> Climate Action	<ul style="list-style-type: none"> <li>■ <a href="#">Climate Variability</a></li> </ul>



# Addressing COVID-19

The emergence of the COVID-19 public health emergency in early 2020 presented significant challenges to our employees, customers and communities. From the earliest days, we established clear priorities across the organization focused on three areas:

- The care and safety of our employees and their families;
- The safety of our customers and the communities we serve; and
- The execution of preparedness plans to help us continue to provide essential services to communities during any public health emergency.

Throughout the COVID-19 public health emergency, we have remained committed to the health, wellbeing and safety of our employees and their families. Our focus on safety as a core value and strategy has guided our decision-making. We closely follow updates from federal, state and local agencies aligning the most current information with our procedures in place to safely continue to deliver safe, clean, reliable water service. We communicate updates and safety best practices regularly to employees using virtual meetings, emails and podcasts. We also make all COVID-19 related resources available to our employees online via the company intranet.

## Employee Impact

403-6

American Water leadership took prompt action in March of 2020 and continues to prioritize the safety of our workforce, announcing a commitment to avoid layoffs of any employees due to the COVID-19 public health emergency. We issued a remote work directive for employees who were able to conduct their work virtually, instituted a robust set of COVID-19 Safety Protocols and incorporated them into our standard work practices. Our robust digital infrastructure was a key factor in our seamless transition to a remote work environment.

## DOWNLOADS

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[COVID-19 Response 2020 Community Impact Report](#)

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Our Enterprise Crisis Response Team (ECRT) implemented the Daily Health Screening program for all employees. The program requires employees to complete a daily health self-assessment form to determine whether they can perform their work safely, and provides contact tracing carried out by trained personnel for employees when necessary. Using these contact tracing procedures, we can quickly identify and make appropriate determinations for illnesses, exposures and other circumstances, based on our COVID-19 quarantine and return-to-work protocols.

Our COVID-19 Safety Protocols include a strong focus on safety for our field personnel. These resources provide our employees with robust guidance on a variety of safe work procedures, including:

- Home and business entry procedures;
- Proper use of personal protective equipment (PPE), including face coverings;
- Proper use of cleaners/sanitizers to disinfect work equipment and surfaces;
- Contractor COVID-19 safety protocols; and
- Visitor guidance for vendors & service personnel.

Additionally, we implemented numerous measures to help our on-site employees continue their essential work in a safe manner, including:

- Face coverings;
- Temperature checks;
- Social distancing and frequent disinfection of work tools and surfaces; and
- One person per vehicle for work-related travel.

All employees must adhere to our COVID-19 Safety Protocols while working in the field or at an American Water location. Additionally, we require all employees, office contractors and temporary workers to complete a mandatory online training on our COVID-19 Safety Protocols.

Through the swift and efficient introduction and incorporation of COVID-19 protocols, American Water has remained a safe work environment for our employees and the communities we serve. American Water will continue to evaluate and update our required safety measures to align with public health guidance. We are proud to report that none of our 7,000 employees contracted COVID-19 while on the job in 2020 and through this report's publication date in 2021.

## COVID-19 Related Benefits

To help our employees cope with the ongoing effects, American Water implemented a COVID-19 Emergency Leave Policy, which remained in effect through the end of 2020. As part of our ongoing response, our COVID-19 Safety Protocols will remain in effect to help provide for the continued health and wellbeing of our employees and their families. American Water also offers many resources to support the emotional wellbeing of our employees and their families as they cope with the associated challenges of COVID-19, which are discussed in the [Occupational Health & Safety](#) and [Talent Attraction, Engagement & Retention](#) sections of this report. We also provided our employees with temporary COVID-19 related benefits including:

- Up to five days of job-protected emergency leave, and an additional six weeks of unpaid leave to cover childcare related situations where an employee was unable to report to work;<sup>[1]</sup>
- Up to two weeks paid leave for employees who:
  - Tested positive for COVID-19;
  - Must quarantine due to a potential COVID-19 exposure and could not perform their work remotely; or
  - Must care for an immediate family member sick with COVID-19.

<sup>1</sup> Effective August 1, 2020 through December 31, 2020



- 100% coverage for CDC-approved lab studies or tests for COVID-19;
- Waived deductibles and co-insurance for outpatient services associated with the diagnosis and/or treatment of COVID-19;<sup>[2]</sup>
- Waived fee for COVID-19-related claims for Horizon CareOnline telemedicine visits;<sup>[2]</sup>
- Waived charges for home delivery of prescription medication from CVS Pharmacy locations;
- Flu shot vouchers for a free flu shot at any CVS retail pharmacy;
- Bright Horizons Back-Up Care for child and adult/elder care and additional family support;
- Face coverings and thermometer strips mailed to all employees;
- American Water Employee Crisis Fund;
- Partnership with TRIAD health center to provide access to a Chief Medical Officer to provide guidance and advice;
- Free virtual fitness classes to all employees through our partnership with Platoon Fitness; and
- Carebridge EAP

<sup>2</sup> Ended July 1, 2021 due to improving health conditions



## Customer Impact

From the onset of the COVID-19 public health emergency in the U.S., we provided our customers with information about the safety of their drinking water. We followed Environmental Protection Agency (EPA), Centers for Disease Control and Prevention (CDC) and World Health Organization (WHO) guidance for COVID-19 to educate and inform our customers that their water was unaffected by the virus. Evidence demonstrates that the risk to water supplies from COVID-19 is minimal, and customers can use and drink their water as usual. Our standard operations, including multi-tiered treatment barriers like water filtration and disinfection, provided protection against the virus. We also adapted our water quality sampling locations and processes to take the necessary precautions to protect our customers and communities.



We continue to prioritize safety and enhance our service quality to provide an exceptional experience to our customers. Despite much of our workforce working remotely, we continue to make needed infrastructure investments and operational efficiency improvements to keep customer bills affordable and further improve the customer experience.

We also recognize the importance of affordable customer bills to promoting handwashing and other public health sanitation practices during the COVID-19 public health emergency. In 2020, American Water led the industry in announcing accommodations to support our customers during COVID-19. Our utility subsidiaries updated their websites to direct customers to available COVID-19 resources. We also implemented the following temporary measures:

- Reconnected customers that were previously shut off for non-payment;
- Suspended shut-offs for non-payment;
- Suspended collection efforts;
- Waived reconnection fees;
- Suspended late payment fees;
- Created greater flexibility with budget billing plans;
- Expanded deferred payment arrangements to provide greater flexibility and more time to pay past due balances; and
- Added benefits through our Help to Others (H<sub>2</sub>O) grant program.

## Community Impact

During the COVID-19 public health emergency, the American Water Charitable Foundation (AWCF) and American Water made a \$100,000 donation to Feeding America. We also launched a COVID-19 Response Fund that resulted in \$305,000 awarded to 84 public charities. Many states also contributed to the H<sub>2</sub>O Help to Others™ program to help relieve customer challenges resulting from COVID-19. Read more about this program in [Water Access & Affordability](#).

# Corporate Governance & Business Ethics

## Corporate Governance

We maintain strong governance practices that support our strategic direction, inclusive and diverse workplace and strong ethical reputation. For us, effective corporate governance means:

- Having a high quality, diverse Board of Directors who reflect our customers;
- Implementing policies and procedures that promote governance quality, operating in stakeholders' best interest and engaging stakeholders;
- Promoting the integrity of governing bodies, such as independence of the Board Chair;
- Helping ensure clear lines of accountability for material environmental and social topics, including Board engagement on sustainability topics; and
- Demonstrating transparency and accountability to stakeholders through public disclosures.

## Governance Structure

102-18

Our corporate governance structure helps provide accountability and integrity across the organization. Our [Board of Directors](#) has the following standing committees:

- Audit, Finance and Risk
- Executive Development and Compensation
- Nominating/Corporate Governance
- Safety, Environmental, Technology & Operations<sup>1</sup>

Each standing committee operates under a written charter, reviewed annually and approved by the Board of Directors. They are available in the Downloads section.

<sup>1</sup> Includes cybersecurity governance.

## DOWNLOADS

<a href="#">Board of Directors' Committee Charters</a>	<a href="#">↓</a>
<a href="#">Nominating/Corporate Governance Committee Charter</a>	<a href="#">↓</a>
<a href="#">Executive Development and Compensation Committee Charter</a>	<a href="#">↓</a>
<a href="#">Audit, Finance and Risk Committee Charter</a>	<a href="#">↓</a>
<a href="#">Safety, Environmental, Technology and Operations Committee Charter</a>	<a href="#">↓</a>
<a href="#">Board of Directors</a>	<a href="#">↓</a>
<a href="#">Corporate Governance Guidelines</a>	<a href="#">↓</a>
<a href="#">Code of Ethics</a>	<a href="#">↓</a>
<a href="#">Partners and Suppliers</a>	<a href="#">↓</a>
<a href="#">Supplier Code of Conduct</a>	<a href="#">↓</a>





## Board Diversity

405-1, EEI 7.2, EEI 7.2.1, EEI 7.2.2

The diversity of our Board of Directors reflects our belief that our directors should bring a variety of experience, knowledge, abilities and backgrounds to our company. Having this variety at the highest levels of our organization helps our company better align our long-term strategy with the needs of the diverse communities we serve. We have a longstanding commitment to gender diversity and equality at both the Board level and throughout our company. Our continued inclusion on the Bloomberg Gender-Equality Index and commitment to Paradigm for Parity demonstrates this commitment in action. Our Board of Directors represents gender, racial and experiential diversity. As of March 2021, five of 11 directors (45.5%) voluntarily self-identify as female; two of 11 directors (18.2%) voluntarily self-identify as racially diverse; and two (18.2%) are military veterans. Additionally, as of March 2021, American Water's Board is 54.5% racially and gender diverse, and with the inclusion of military veteran status, the Board's overall diversity is 72.7%.

## ESG Governance

102-12

We regularly discuss American Water's ESG strategy and performance with our Board. Our Nominating/Corporate Governance Committee takes a leadership role in shaping our corporate governance, while our Safety, Environmental, Technology and Operations Committee oversees and reviews our operations across a number of areas including employee and public safety, environmental policies and practices, technology policy, strategy and governance and operational performance and risks. The Safety, Environmental, Technology and Operations Committee assists the Board in the oversight and review of:

- Employee and public safety;
- Environmental policies and practices, including without limitation, water quality and emerging contaminants;
- Technology policy, strategy and governance, including physical and cybersecurity matters related to our operations; and
- Certain operational performance and risk matters.

In addition to the Safety, Environmental, Technology and Operations Committee, the Executive Development and Compensation Committee of the Board oversees social matters including inclusion and diversity, including topics such as pay equity.

To demonstrate our commitment to ESG governance and transparency, we report through the GRI, SASB and EEI frameworks. In addition, we reference the TCFD recommendations, providing information and data related to our approach to managing climate risk across the enterprise. We also take into consideration the UNSDGs, and we submit responses to the S&P Global Corporate Sustainability Assessment (CSA) and CDP Climate Change annually. To better understand and communicate our climate related risks and opportunities to stakeholders, we respond to the CDP Climate Change questionnaire annually. Additionally, we have voluntarily aligned with National Institute of Standards and Technology (NIST) standards since 2014, demonstrating our commitment to protecting critical infrastructure.





## Business Ethics

102-16, 102-17, 403-7

At American Water, the way we execute our strategies is just as important as achieving our goals. Our Code of Ethics, most recently updated in 2020, forms the basis of American Water's culture of integrity. All employees are responsible for knowing and complying with the policies, practices and laws that apply to the work they do and the decisions they make. Our Code of Ethics also serves as a guide to ethical decision-making at American Water, and it addresses the following areas:

- Avoiding conflicts of interest;
- Anti-trust and fair competition;
- Anti-corruption and anti-bribery;
- Handling sensitive information and intellectual property;
- Use of company assets;
- Maintaining accurate financial and business records;
- Government relations;
- Equal employment opportunity;
- Respect and dignity in the workplace;
- Preventing discrimination, harassment and bullying;
- American Water's policy against retaliation;
- Health and safety; and
- Environmental leadership.

Compliance with our Code of Ethics is a condition of employment at American Water. All employees, temporary employees and Board of Directors must read and understand our Code. Everyone is responsible for reporting actual or suspected violations of our Code, company policies or law.

To report potential violations, American Water has an independent, secure and confidential Ethics Helpline that is available to employees and external stakeholders, including suppliers and customers. The Ethics Helpline is available 24 hours a day, 7 days a week by phone or internet.

If employees have questions about whether behavior or a situation they face is consistent with our Code, they are encouraged to seek guidance or raise concerns by contacting:

- Their manager;
- Skip level manager;
- Local Human Resources (HR) Business Partner;
- Compliance and Ethics Department;
- Legal Department;
- Security; and/or
- The Ethics Helpline.

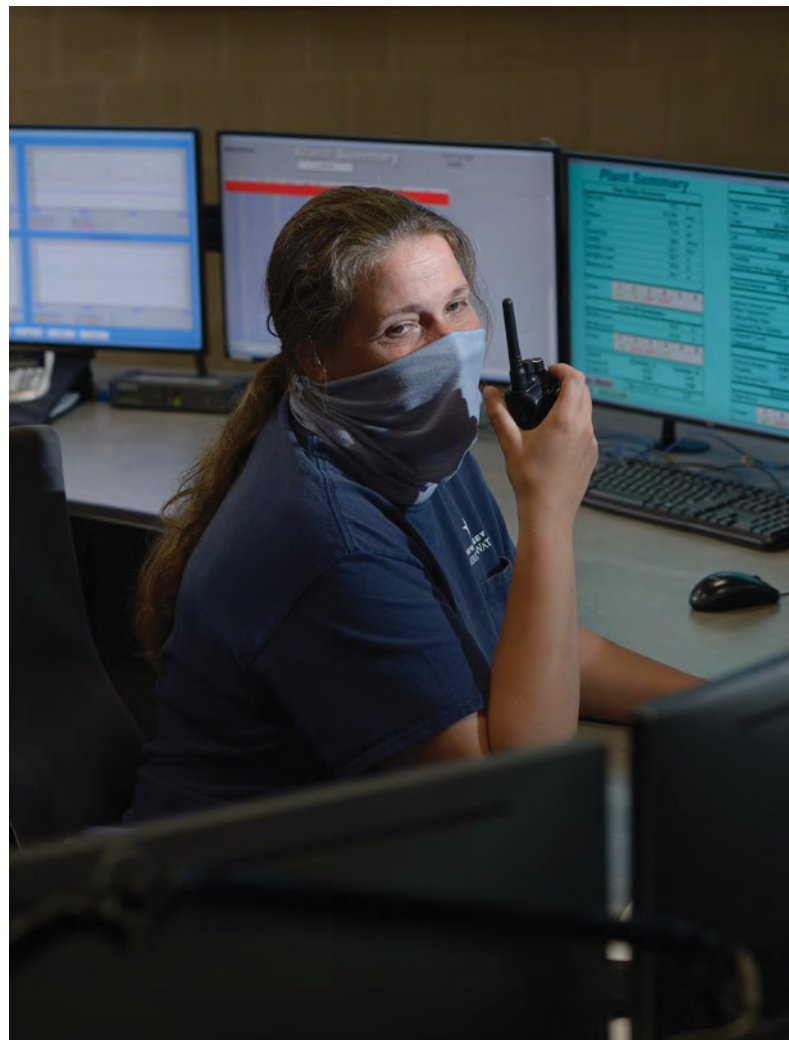
## Compliance

To help employees understand our expectations, we require employees to participate in annual training on the Code of Ethics. Within the Code of Ethics training, employees review scenarios from real-life events and incidents. Every employee is given time to complete the training by his or her local manager. In addition, the Compliance and Ethics team provides targeted training throughout the year to certain employee groups based on specific events that arise in the business. Employees eligible for the Annual Performance Plan bonus cannot receive their payout unless they have completed the Code of Ethics training.

The Chief Compliance Officer oversees the response to all calls made to the Ethics Helpline, as well as all ethics issues reported through different channels. When appropriate, the Chief Compliance Officer escalates a case to the Compliance and Ethics Committee (comprised of the Executive Leadership Team) and/or the Board's Audit, Finance and Risk Committee. The Chief Compliance Officer reports through a matrixed hierarchy to the head of the Board's Audit, Finance and Risk Committee to further provide independence.

We design our policies and practices to combat corruption and anti-competitive behavior, promote transparency and safeguard integrity in all our activities. In January 2021, we implemented a new Anti-Corruption & Anti-Bribery Policy to reinforce our commitment to working ethically and maintaining the highest level of integrity throughout our business.

We hold our business partners to the same standards of integrity to which we hold ourselves. An unethical or illegal act by one of our business partners may harm American Water's reputation and negatively affect the communities we serve. We seek to establish strong partnerships with U.S. based companies, to source products made in the U.S. and to further our investment in our communities by working with diverse suppliers in the areas we serve. We abide by our "Buy U.S." practice, which requires U.S. based procurement for federal or state-funded projects. In 2020, we established a separate Supplier Code of Conduct to govern these relationships, focusing on ethical business conduct, health and safety, environmental standards, human rights and fair treatment and management procedures, by which we expect all suppliers to abide.



## Cyber & Digital Security

Technology solutions are vital to reliable and resilient water systems, and for that reason, cybersecurity remains core to our vision of resiliency and sustainability. As we continue to implement intelligent water and wastewater systems, we are also designing and integrating industry-leading cyber controls into all aspects of our technology. Governed by our Safety, Environmental, Technology and Operations Committee, American Water implements these controls to protect our existing systems and enable the implementation of secure innovation. Our mission is to enhance the customer experience while safeguarding the integrity of company information and systems. Our cybersecurity program is consistent with industry best practices, including NIST Cybersecurity Framework and American Water Works Association (AWWA) Process Control System Security Guidance for the Water Sector.

## Policies

American Water values the safety and security of our customers, employees, contractors and shareholders. In support of this, we maintain robust policies that govern our management of cyber and physical security across our operations. Our Cyber and Information Security Policy provides requirements for the secure use and management of all information resources and technology systems within the company. Our Sensitive Information Security Policy sets forth our standards and security requirements regarding sensitive information handled by the company, including personally identifiable information of American Water employees, customers and contractors. Our Physical Security and Preparedness Policy establishes the framework and standards by which we protect company facilities and assets and respond to incidents and emergencies. We reviewed and updated these policies in 2020 as part of our focus on continuous improvement.



## Training & Exercises

We provide awareness training for physical and cyber risks, incident response and emergency preparedness. This training reinforces the shared responsibility for security with all employees, contractors and visitors, and supports a safe and secure work environment.

Although we work hard to prevent incidents from happening, we must also prepare for them. Practice exercises are a powerful way to bring solid planning and years of experience to bear on the new and diverse challenges we face. We host internal preparedness exercises across our business annually, while also participating in external regional and national level exercises with state and federal partners. These activities enhance and strengthen our readiness and often identify opportunities for improvements.

We maintain a business continuity framework across the company, bringing functional and operational teams together for the purpose of reducing risk and enhancing resiliency. As part of the framework, we adopted the nationally recognized National Incident Management System (NIMS), which enables unified emergency response and close, effective coordination with emergency management in the communities we serve. We also participate in the Water/Wastewater Agency Response Networks (WARN) by responding to emergencies (delivering water, loaning equipment, etc.) or receiving aid from other water purveyors in case of emergencies.

## Partnerships & Leadership

Demonstrating external leadership and fostering effective partnerships is key to our internal success and to making improvements to security and resiliency across the water and wastewater sector. We partner with environmental organizations, public service commissions, state fusion centers, The Department of Homeland Security and Federal Bureau of Investigation to share information and promote security best practices. We take a leadership role in advancing security and resiliency of the water and wastewater sector through participation in key working groups. We currently Chair the Water Sector Coordinating Council, a public-private partnership in which we collaborate with other utilities and the EPA to plan and implement sector-specific programs, policies and activities.



# STAKEHOLDER ENGAGEMENT

Materiality Assessment Process →

Our Stakeholders →

Policy Influence →

Local Communities →

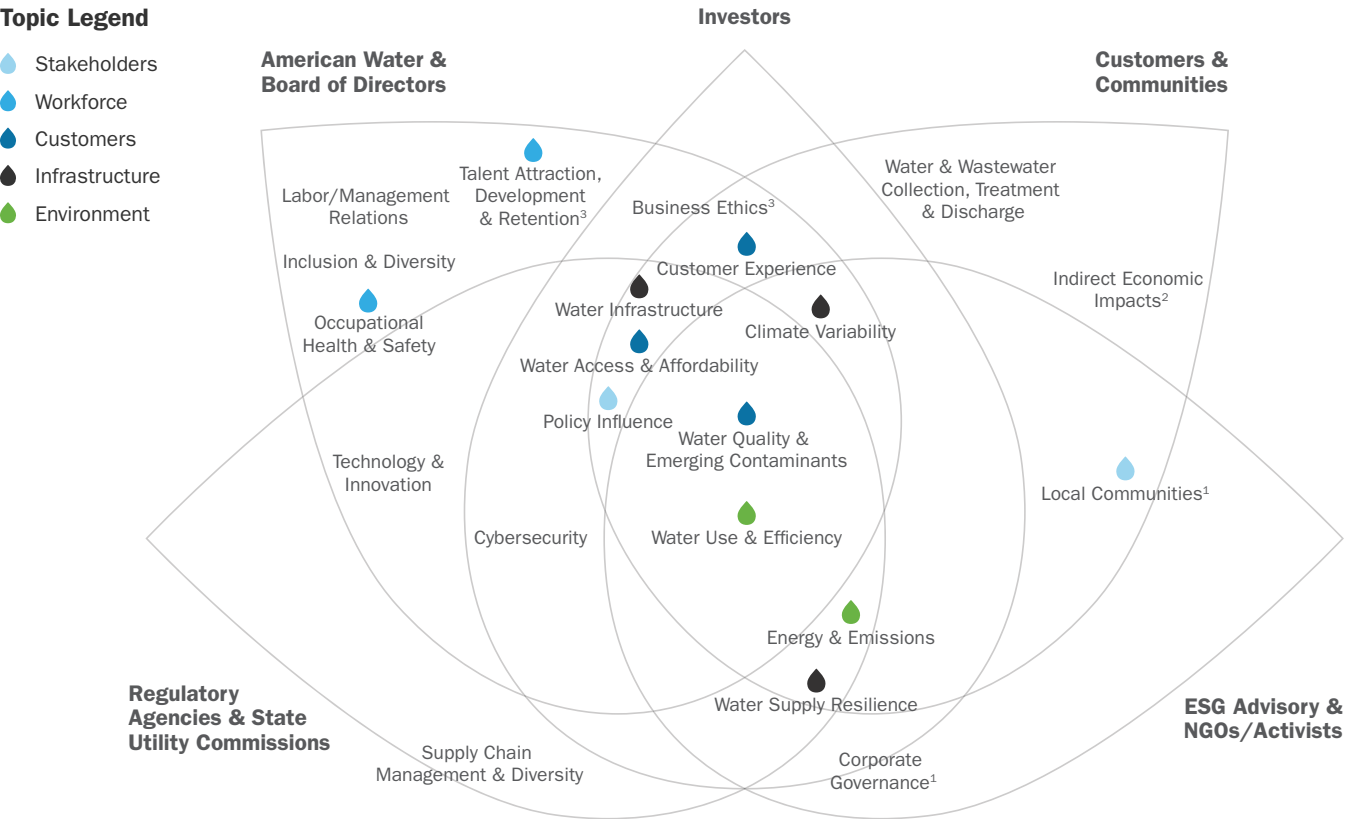


# Materiality Assessment Process

102-46

In 2019, we completed a thorough materiality assessment aligned with the GRI framework. A third party led the multi-step process, consisting of (1) topic identification; (2) value chain impact mapping, stakeholder engagement and written source analysis for topic prioritization; and (3) executive leadership team validation. In addition to identifying the topic boundaries through value chain impact mapping, the assessment gave us valuable feedback and helped us to better understand the ESG topics most important to our stakeholders. Applying the materiality principle, we evaluated the significance of American Water's economic, environmental and social impacts, as well as the influence of our management and performance on stakeholders' decisions. All ESG topics are important to our company; however, we focused this report on those topics, shown below, that are most significant to our business and stakeholders.

## Our Material Topics



<sup>1</sup> Also important to American Water

<sup>2</sup> Also important to Regulatory Agencies & State Utility Commissions

<sup>3</sup> Also important to ESG Advisory & NGOs/Activists



# Our Stakeholders

102-40, 102-42, 102-43, 102-44

We regularly engage with our stakeholders to better understand their concerns, needs and expectations for American Water. Our stakeholders are vital to our business, and their feedback informs our policies, practices and programs across our organization. For this report, we engaged internally with subject matter experts to highlight the importance, management approach and performance of our priority topics. Our materiality assessment helped identify other stakeholders that affect our business and groups that our business has an impact on.

This table summarizes the type and frequency of our stakeholder engagement, as well as the key topics that are most important to each stakeholder group.

Please see the [Policy Influence](#), [Customer Experience](#), [Local Communities](#) and [Talent Attraction, Engagement & Retention](#) sections in this report for further detail about how we engage with specific stakeholder groups.

Stakeholder	Engagement Mechanism	Engagement Frequency	Priority Topics
<b>Communities</b>	Community surveys, volunteering, open houses/plant tours/ community events	Monthly	Water Infrastructure, Water Use & Efficiency, Local Communities (Indirect Economic Impacts)
<b>Credit rating agencies</b>	Conferences, regular meetings	Quarterly	Energy & Emissions, Occupational Health & Safety
<b>Customers</b>	Customer service orders, bills, emails/texts/social media/calls, website/portal, online communities, focus groups, surveys	Daily	Customer Experience, Water Use & Efficiency
<b>Employees</b>	Employee engagement survey, and quarterly pulse surveys town hall meetings, podcasts, intranet, labor management conference, job fairs	Daily	Talent Attraction, Engagement & Retention
<b>ESG rating agencies</b>	Conferences, meetings	Annually	All Material Topics
<b>Industry associations</b>	Conferences, <a href="#">memberships</a> , meetings	Annually	Water Infrastructure, Policy Infrastructure
<b>Investors</b>	Conferences, regular meetings, earnings calls & investor presentations	Monthly	Policy Influence, Water Quality & Emerging Contaminants, Corporate Governance
<b>Regulators</b>	Conferences, meetings, regulatory associations	Monthly	Water Quality & Emerging Contaminants, Water Infrastructure
<b>Suppliers</b>	Select supplier audits, supplier conferences	Biannual	Supplier Diversity
<b>Unions</b>	Labor management meetings, National Labor Management Council, Joint Health Care Committee, labor management conference	Monthly	Occupational Health & Safety, Talent Attraction, Engagement & Retention
<b>Non-governmental organizations (NGOs)</b>	Meetings, conferences	Monthly	Policy Influence, Water Infrastructure, Energy & Emissions

## Industry Association Memberships

102-13

We belong to many industry organizations at the local, state and national level, including the following national organizations:

- African American Mayors Association
- American Water Works Association (AWWA)
- BlueGreen Alliance
- Community Leaders of America
- Democratic Municipal Officials
- Edison Electric Institute (EEI)

- National Utilities Diversity Council
- The National Association of Water Companies (NAWC)
- U.S. Conference of Mayors Water Council
- U.S. Water Alliance (including the Value of Water Campaign)
- Water Environment & Reuse Foundation
- Water Innovations Alliance Foundation

We are also active members and partners of organizations local to the communities and states we serve. When needed, we work with these organizations to develop formal engagement and communications plans for external groups, including customers, regulators, NGOs and state environmental commissions.



# Policy Influence

## WHY IT MATTERS

103-1

Our primary goal as a regulated utility is to support laws and policies that enhance our ability to provide safe, affordable and high-quality water and wastewater services to our customers. We engage with every level of government to voice our support for effective policy and provide support that aligns with our business values. We also participate in several non-partisan partnerships to advocate for effective environmental, health and safety and water quality standards and regulations at the local, state and federal level.

We see ourselves as a key stakeholder for policy decisions that affect the water and wastewater utility industry. Our thought leadership can help inform the decisions of regulators or politicians and prevent ineffective or costly regulation that has little benefit to our customers and communities. Our policy influence may also provide communities with more options to address challenges like water scarcity or water affordability and access. We will continue working with regulators and other stakeholders to support responsible policies that enhance our ability to provide our customers with water and wastewater solutions and align with our business.

## OUR APPROACH

103-2

### Policies

Our Code of Ethics governs our interactions with government officials and regulators, including lobbying, political contributions and anti-bribery and anti-corruption policies. We require our employees to complete an annual training on our Code of Ethics. Our Board of Directors must approve any updates or changes to our Code of Ethics. For more details on our Code of Ethics, please read the [Business Ethics](#) section of this report.

Our Political Contribution Policy, most recently updated in 2020, requires that our Board of Directors have direct oversight of our political contributions, and that we publicly disclose our contributions annually.

In early 2021, American Water adopted an Anti-Corruption & Anti-Bribery Policy, underscoring our commitment to engaging with government officials in compliance with applicable anti-corruption laws and regulations in the areas where we operate. In 2021, we will also implement anti-corruption training as we continue to keep the highest standards of integrity front of mind.

### DOWNLOADS

[Political Contribution Policy](#)



[Political Contributions](#)







## Governance

The Board of Directors delegates oversight of policy activities and political contributions to two of our Board committees. Our Nominating/Corporate Governance Committee establishes the policies and procedures for Board oversight of public policy activities, while our Safety, Environmental, Technology and Operations Committee reviews any policies and practices that are significant to environmental and business operations and objectives, which may include public policy activities. Our Senior Vice President of Communications and External Affairs supervises the regulatory relationships and engagements across our entire business and works with the Presidents of our state utilities to oversee policies and external affairs.

## Collaboration & Engagement

As a thought-leader in water research, we work closely with the EPA, CDC, state Departments of Environmental Protection, regulatory agencies and other organizations to collaborate on research that informs effective standards and regulations for our industry. We focus primarily on policies relevant to water quality, infrastructure, health and safety and environmental stewardship.

We strive to maintain consistent and meaningful engagement with industry associations and regulators. Through our involvement in such organizations, we help implement best practices, inform regulations and provide safe and reliable water and wastewater services to our customers. We collaborate with industry associations and government agencies through panels, thought leadership, research and other engagements to both share and build our expertise on issues relevant to water and our industry. We will continue to share and discuss best practices throughout the water and wastewater industry.

We focus our efforts on opportunities to support solutions to water and wastewater challenges for our industry, customers and communities, such as water affordability and infrastructure safety and resilience. We tailor our engagement strategy depending on the geographic location, operational challenges and regulatory landscape of each state where we operate.

American Water engages directly with policymakers in a variety of ways, including legislative sessions, educational meetings, conferences and political action committee (PAC) events. In 2020, American Water shifted our engagement to a virtual format to support the health and safety of our employees and stakeholders. It is our hope that our efforts to engage on water policies will continue to benefit our business, our customers and our communities.

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We will continue working with regulators and other stakeholders to support responsible policies that enhance our ability to meet the needs of our customers and communities and align with our business.

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# Legislative Updates

In 2019 and 2020, we supported the following legislation at the federal and state level for the states in which we operate.

State	Legislative Updates
<b>Indiana</b>	<p>HEA 1406: Water Infrastructure Funding.</p> <p>SEA 4: Strengthening Indiana's Water Commitment.</p> <p>SEA 472: Offered Utility Statute.</p> <p>HEA1131: Establishes an appraisal process for non-municipal utilities to establish fair value.</p> <p>SEA 254: Authorizes recovery without full rate case for service enhancements for health, safety or environmental concerns for aboveground infrastructure. Exempts relocation from distribution system improvement charge recovery caps.</p> <p>HEA 1287: Creates a mechanism that reduces the required upfront cost to new customers for a water or wastewater utility to extend service to underserved areas.</p> <p>HEA 349: Establishes a tax rider for water and wastewater utilities based upon a change in state or federal income tax law, allowing the utility to appropriately plan the filing of rate cases.</p>
<b>Iowa</b>	<p>HR2452: Gives the Iowa Utilities Board 180 days to approve acquisitions. Allows systems to qualify as a distressed system when they do not have a certified operator.</p>
<b>Kentucky</b>	<p>House Bill 465: Allows for acquisition price above net book value when certain criteria is met and establishes a timeline of 60 to 150 days for PSC decision.</p>
<b>Missouri</b>	<p>House Bill 2120: Requires most small community water utilities to establish a cybersecurity plan and valve and hydrant inspection program with reporting to the Department of Natural Resources certifying compliance with these provisions upon request.</p>
<b>Pennsylvania</b>	<p>Act 53 of 2019: Allows water and wastewater utilities responsible for funding the income taxes on taxable contributions and advances to record the income taxes paid in accumulated deferred income taxes for accounting and ratemaking purposes.</p> <p>Act 120 of 2018: Allows for the inclusion of customer-owned Lead Service Line Replacement in rate base and was included in most recent rate case.</p>
<b>Virginia</b>	<p>SB831: Establishes fair market value legislation.</p>
<b>West Virginia</b>	<p>HB117: Allows qualified low-income customers to apply for a 20% discount on their wastewater bill.</p> <p>SB551: Allows for expanded asset valuation, combined water and wastewater ratemaking and the expansion of how municipalities can utilize proceeds from the sale of a water or wastewater system.</p> <p>SB739: Allows the Public Service Commission of West Virginia to force utility management changes up to and including an acquisition of a distressed or failing water or wastewater system.</p>
<b>Federal</b>	<p>American Rescue Plan of 2021: \$500 million for grants to State and Indian Tribes to assist low-income households that pay a high proportion of household income for drinking water and wastewater services, by providing funds to owners or operators of public water systems or treatment works to reduce arrearages and rates.</p> <p>Relief Bill of 2020: Includes \$638 million for the low-income water assistance program and \$2.8 billion for Clean Water and Drinking Water State Revolving Fund.</p>

## HIGHLIGHT STORY

# COVID-19 Relief Package

In late 2020, the federal government signed into law a COVID-19 relief package granting COVID-19 aid across the U.S. The appropriation included \$638 million for the low-income water assistance program and a combined \$2.77 billion for the Clean Water and Drinking Water State Revolving Funds. The bill also includes \$65 million for the Water Infrastructure Finance Act program, a \$5 million increase from FY2020. American Water supports this legislation, which has the potential to expand the low-income water assistance program and investments in water infrastructure.

## Political Contributions

American Water is firmly committed to participating responsibly in the political process. Guided by our Political Contribution Policy, we make all political contributions through a non-partisan process that is consistent with all applicable laws and reporting requirements.

While our employees have the opportunity to make political contributions on an individual basis, all political contributions from our organizations must be made only by the American Water Works Company, Inc. Employee Federal PAC (the "Employee Federal PAC"), or through a subsidiary or line-of-business PAC (a "Subsidiary PAC"). The political contributions of our employees, including those made to PACs, are not subject to this policy.

In January 2021, the Employee Federal PAC paused all contributions after the events of January 6, 2021. The Employee Federal PAC Board lifted the temporary pause after reviewing its contribution guidelines on April 30, 2021. This decision will help ensure that the company continues to have a voice in policy discussions that impact its business, employees and customers.

Our Political Contribution Policy requires that we publicly disclose certain political contributions and other payments made to tax-exempt organizations and trade associations exceeding \$50,000 within 180 days of the end of our fiscal year. We published our most recent annual disclosure on our website in May 2021.

## OUR PERFORMANCE

103-3, 415-1

Metric	2018	2019	2020
Direct political contributions made by an American Water entity	\$54,300	\$78,000	\$53,000
Political contributions made by the employee federal PAC or a subsidiary PAC	\$366,040	\$420,505	\$412,025
Third-party payments to trade associations and tax-exempt organizations <sup>1</sup>	\$2,161,399	\$2,307,106	\$2,157,518

<sup>1</sup> Third-party payments to a tax-exempt organization or trade association during a fiscal year where the aggregate amount of all payments made by the company or any subsidiary exceeds \$50,000 in that fiscal year, and the third party informs the company in writing that a portion of any such payment was used for lobbying expenditures or political contributions that are considered non-deductible under the Internal Revenue Code of 1986.

# Local Communities

## WHY IT MATTERS

103-1

We are proud to provide meaningful support to the communities we serve. As a national water and wastewater utility company with a local presence, we believe that helping our communities thrive is a business imperative. We engage regularly with our customers to better understand how we can meet their needs through strong partnerships, communications and collaborations. We are committed to our mission and remain true to our values by providing opportunities for local employment, financial support, volunteerism and other forms of support. We want our community contributions to be impactful, demonstrate who we are and what we stand for and support our successful business relationships with those we serve.

### DOWNLOADS

<a href="#">Keep Communities Flowing 2020 Community Impact Report</a>	<a href="#">↓</a>
<a href="#">American Water Charitable Foundation 2020 Community Impact Report</a>	<a href="#">↓</a>
<a href="#">Giving Back Is Beautifully Different 2020 Community Impact Report</a>	<a href="#">↓</a>
<a href="#">Building Better Communities 2020 Community Impact Report</a>	<a href="#">↓</a>
<a href="#">American Water Charitable Foundation Overview</a>	<a href="#">↓</a>

## OUR APPROACH

103-2, 413-1, 413-2

We want every community we serve to be better and stronger because we are there. We locate our offices alongside our operations to maximize our local presence and impact. With community support in mind, we relocated our headquarters in 2018 to Camden, NJ, a city that American Water has provided water service to since the 1880s. From our new headquarters, we can continue to provide support, form new partnerships and expand existing ones that improve our community.





We build trust and support in the communities we serve through open and consistent communication about the services we provide. We want our customers to understand the efforts that we make to not only provide high-quality water and wastewater services, but also to prioritize the safety and wellbeing of our communities. For more information, please refer to [Customer Experience](#) and [Water Access & Affordability](#).

We focus on in-kind and financial efforts to support and uplift the communities we serve. The AWCF drives this effort by supporting the charitable endeavors of our employees through financial donations and employee volunteerism. We also engage with our local communities through educational campaigns and volunteerism at local schools to help build our talent pipeline and encourage careers in water.

We provide multiple channels through which community members and customers can reach us to voice concerns or ask questions, including a customer portal, social media, town hall meetings, community meetings and events.

We also encourage our local community members to learn and better understand who we are and what we do through plant tours, open houses, town hall meetings and other events. Our surveys offer customers the opportunity to ask questions and provide feedback about how we can strengthen our community involvement and impacts.

## Policies

In 2020, we updated the Communications & External Affairs policy that guides internal and external communications conducted by employees and contractors on behalf of American Water. We recognize that our communities all have different needs and expectations for our business and their interactions with us, so we leverage local practices and procedures to guide our local engagements across our business.

## Governance

Our Senior Vice President of Communications and External Affairs leads our community engagement practices and procedures. Across American Water's business footprint, including state utilities, our External Affairs Directors and External Affairs Managers supervise local interactions and work directly with our communities.







#### HIGHLIGHT STORY

## We Keep Water Flowing Patch Program

In 2020, West Virginia American Water and Girl Scouts of Black Diamond developed the “We Keep Water Flowing” patch program. This program seeks to inspire Girl Scouts to learn more about water in their communities, promote water stewardship and explore careers in the water industry. This is the first Girl Scout patch that focuses on source water protection in West Virginia. While the specific requirements to earn the patch vary by grade level, all grades must complete the following activities to earn their patch:

- Take a tour of a water treatment plant and learn about the local drinking water supply, the water treatment process and how water is delivered to households.
- Identify one or two women who work in the water utility business and invite them to speak about their career.
- Conduct research on the local water utility to learn about the areas where the utility provides drinking water service, the number of customers they serve, the number of pipeline miles they have, the number of fire hydrants they maintain and the amount of water they pump per day.
- Choose a lesson from the American Water Education Toolkit, which contains 12 lessons that teaches young people about the importance of water in their lives.



## American Water Charitable Foundation

AWCF supports employees in their own charitable endeavors, provides support for disaster relief efforts and provides funding for initiatives related to clean water, conservation, education and community sustainability. Highlights of the AWCF include:

- Established in 2018, the American Water Employee Crisis Fund provides confidential emergency financial assistance to employees during times of need, such as when affected by a natural disaster or family emergency. The fund is administered by the Community Foundation of New Jersey, funded by AWCF and employee donations and has awarded 68 charitable grants in the last three years.
- In 2020, AWCF donated \$1.7 million to support programs and organizations important to our employees and our communities, bringing our total contribution to more than \$7.2 million since 2012.
- In 2020, as part of our Matching Gift Program, we launched a Giving Back is Beautifully Different campaign to inspire employees to support organizations focused on racial justice, inclusion and diversity. To kick off the campaign, AWCF donated \$10,000 to the Equal Justice Initiative. Each employee also received \$10 to their myGiving account, with 10 employees receiving \$1,000, which they could redirect to an eligible charity of their choice. Over 2,100 employees participated. Read more about the campaign in the Inclusion & Diversity section of this report.
- The Keep Communities Flowing Grant Program provides American Water businesses an opportunity to sponsor and bring forth applicants for consideration. We award grants up to \$20,000 to 501(c)3 public charities that align with American Water's core focus areas. In 2019 and 2020, we awarded more than \$300,000 to 23 projects in 10 states.

- Since 2014, our Building Better Communities Grant Program, in partnership with the National Recreation and Park Association, has awarded \$2.8 million to 18 projects in 11 states. The program helps American Water communities enhance or create public park spaces. In 2019 and 2020, we awarded four communities \$250,000 each to help construct water-inspired play areas.
- In 2020, American Water and the AWCF announced a \$1 million partnership with the Jackie Joyner-Kersey Foundation, in collaboration with The Story Family Fund, to expand Ms. Joyner-Kersey's Winning in Life® program in five communities served by American Water. The program focuses on bringing leadership skills to at-risk youth in underserved communities by teaching personal and social responsibility through physical activity.







## HIGHLIGHT STORY

# Keep Communities Flowing Grant Program

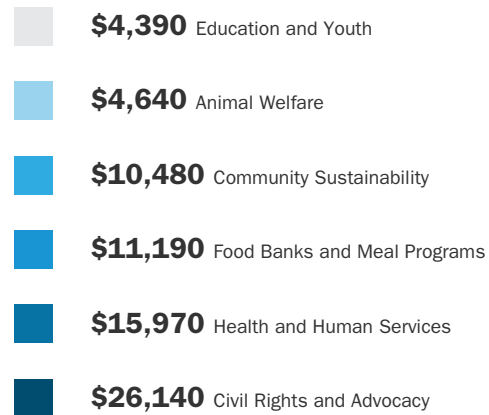
We support our communities to enhance local environmental and sustainability efforts through the AWCf's Keep Communities Flowing Grant Program. The program was established in 2019 and since inception has funded 23 projects totaling more than \$300,000 to enhance and support a broad range of community led environmental efforts.

In 2020, AWCf provided over \$153,000 in grants for 12 projects across eight states. Some examples of these projects include:

- **New Jersey:** Educating and engaging youth through a robust water and environmental program learning module;
- **Illinois:** Converting a seven-acre turf field into a natural habitat featuring an interactive demonstration about the drinking water cycle;
- **Iowa:** Converting a 39-acre farm into wetlands and prairie to improve floodwater storage capacity for wildlife habitat near the Mississippi River;
- **Pennsylvania:** Expanding access to the Understanding the Urban Watershed cross-disciplinary curriculum through the City of Philadelphia's school district;
- **Tennessee:** Constructing an outdoor classroom for an elementary school that will also be open to the community;
- **Virginia:** Construction of raised garden beds, hosting education programs and creating a bilingual Public Service Announcement highlighting local litter problems along the Occoquan River; and
- **West Virginia:** Youth-focused water and soil testing program for students to learn about the watershed they live in at the New Gorge National River.



## Giving Back Is Beautifully Different: By the Numbers



## Corporate Giving

In 2020, we held our first-ever virtual fundraising campaigns for United Way and Water for People. Through these workplace-giving campaigns, our employees can support initiatives that promote access to clean water, adequate health and education and financial stability for communities globally. In addition to financial donations, our employees participated in virtual fundraising events, such as a 5K Turkey Trot, an online auction and virtual BINGO and trivia games.

In 2019 and 2020, our annual United Way giving campaigns raised approximately \$750,000 for local United Way organizations across the U.S. In the last 15 years, we have donated more than \$7 million nationwide to United Way initiatives. American Water employees also raised more than \$486,000, in 2019 and 2020, for Water for People, bringing our total donations to more than \$2.6 million in the last decade.

In addition to our employee's charitable efforts, the AWCF provides annual donations of \$50,000 to both United Way and Water for People.



# Employee Volunteerism

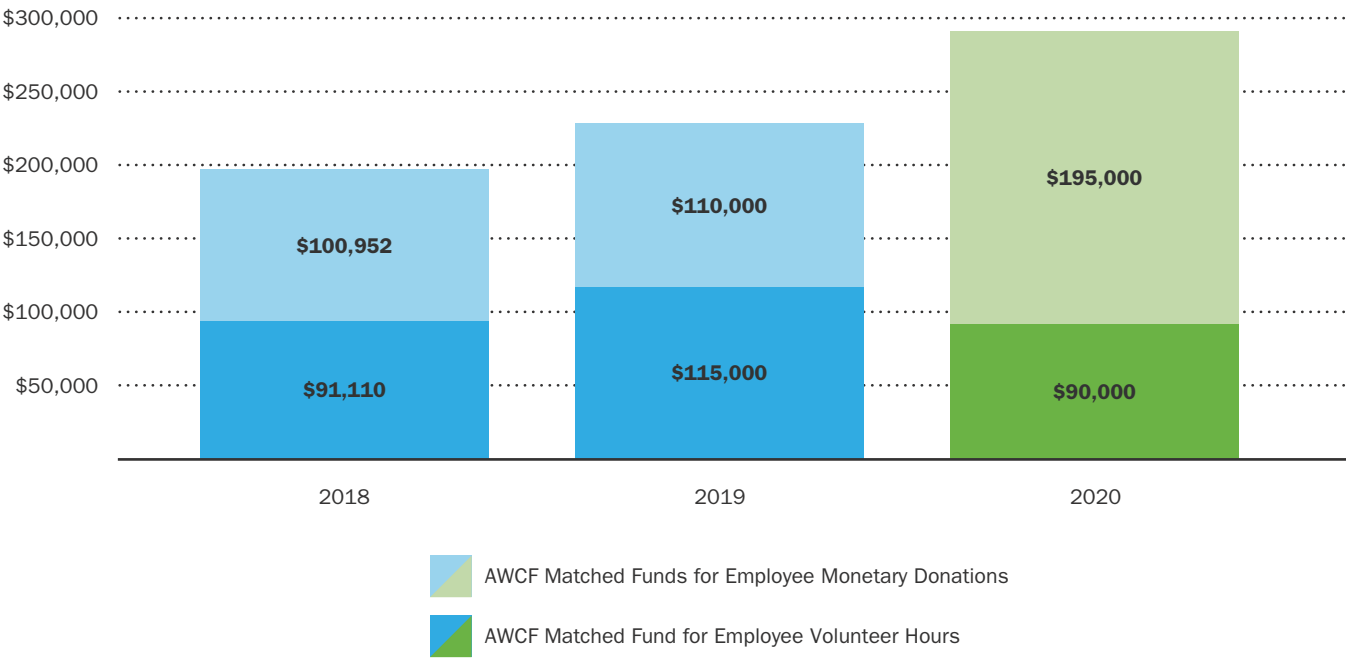
We encourage our employees to give back to the communities and causes they care about by matching volunteer time and monetary donations on a 1:1 basis for up to \$1,000 per employee each calendar year. Since 2015, the AWCf has matched more than \$490,000 for employee volunteer hours and over \$407,000 for employee monetary donations.

We also host our annual AmeriCANs in Action! Month of Service every September. In 2019, over 1,100 American Water employees participated in more than 90 different community volunteer projects to provide a record-breaking 5,100 hours of service.

In 2020, the 10th anniversary of AmeriCANs in Action!, we reimagined our Month of Service to keep our employees and our communities safe during the COVID-19 public health emergency. Employees and their families participated in beach clean-ups, volunteered at animal shelters and worked with local organizations to keep the spirit of our Month of Service alive, even at a distance. The change to a virtual format meant that we were unable to track our employees' hours of service in 2020, but we are proud of our employees for their commitment to the communities in which they live and serve while keeping themselves, their families and their communities safe.

## AWCF Matched Funds for Employees

103-3





## EMPLOYEE SPOTLIGHTS

# Honoring Our First Responders

Our employees hold various roles outside of American Water. Many are parents or caregivers, active community members and volunteers. Some of our employees are also first responders in their communities. Over the last two years, first responders have worked on the frontlines of unprecedented extreme weather events and a global public health emergency to keep others safe. We are grateful to our first responders everywhere for their work to protect their communities. We proudly support and encourage employees to be active in their communities and serve in a variety of capacities. Employees are the heart of American Water and their willingness to make a difference sets our people and our company apart.

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### ILLINOIS AMERICAN WATER

#### Alex Hamilton

Alex Hamilton, a foreman and union steward for Illinois American Water, serves as the President of the San Jose Fire Protection District and, in 2020, celebrated his 15th year of active duty.

“Volunteering has a big impact on me because my district covers 90 square miles of people I know and interact with daily. I’ve been first on the scene of many tragedies of friends and family, but I have also transported patients to give birth to a child. I am very fortunate to be able to volunteer, and would encourage anyone to get involved if possible. It’s very rewarding and much needed.”

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### NEW JERSEY AMERICAN WATER

#### Marc Sowden

Marc Sowden, Supervisor of Fleet Operations at New Jersey American Water, has also worked as a volunteer EMT in Plainfield, NJ for over 23 years.

“Being a first responder has allowed me to become a strong leader. Similar to our work at American Water, we had to find new ways to perform our jobs effectively during COVID-19.”



**PENNSYLVANIA AMERICAN WATER**

**Wesley Jones**

In addition to working as a line location specialist for Pennsylvania American Water, Wesley Jones is the Assistant Borough Fire Chief with the Taylor Fire & Rescue Co. Wesley has been a volunteer first responder for more than 36 years.

“When you’re a volunteer firefighter, it is a 24/7, 365 days a year commitment, and incidents don’t stop just because you’re at work. Our company has been great with letting me leave for calls, and this is what allows volunteer fire departments to stay in business and provide the service they are expected to provide.”

**PENNSYLVANIA AMERICAN WATER**

**Joe Patrick**

Joe Patrick has worked as a meter technician at Pennsylvania American Water for over 10 years, while also volunteering as a firefighter for his community for over 29 years.

“Being a first responder has taught me to do things a lot more safely that I used to. By seeing the situations that we deal with, I understand the impact that seemingly small actions can have, such as wearing a seatbelt.”

**WEST VIRGINIA AMERICAN WATER**

**John Trautwein**

In addition to working for West Virginia American Water as a utility worker, John’s calling to service his community led him to become a firefighter at age 16.

“Being a first responder has impacted my life in a huge way. I’ve made a lot of good friends and provided so many experiences. You learn to look at life differently and never take it for granted.”

**WEST VIRGINIA AMERICAN WATER**

**Jason Young**

Jason Young works as a field operations supervisor at West Virginia American Water and serves as Chief Master Sergeant with the West Virginia National Guard.

“The company is very understanding of the commitment level that I have to have to be effective in my job duties with the National Guard. From day one, American Water asked me what I needed to be successful in my military job and told me that they would pick up the roles and responsibilities when I needed to be with the National Guard.”

# OUR WORKFORCE

Occupational Health & Safety →

Talent Attraction, Engagement & Retention →





# Occupational Health & Safety

## WHY IT MATTERS

103-1

Safety is both a value and strategy at American Water. Safety is more than just “the right thing to do”—we know the health of our employees’ and contractors’ is a leading indicator of our company’s health. We have to get safety right before we can get everything else right.

Our goal is zero injuries. In addition, we strive to foster a work environment that promotes emotional safety, a healthy lifestyle and being physically safe while at work and home. Every day, our employees should return home in the same or better condition as when they came to work. We all benefit when everyone involved with our organization is healthy and safe.

As a strategy, Occupational Health and Safety (OHS) translates to better performance across our entire organization. Healthy and injury-free employees power American Water to perform well as a business, lower our operating costs and increase employee morale.



## OUR APPROACH

103-2

We weave our safety strategy throughout the fabric of our organization. Integral to this strategy is our commitment to safety leadership, employee accountability and caring for our people. Every meeting at American Water begins with a safety message. By successfully working together and caring for each other, we believe we can achieve excellent health and safety performance and zero injuries.

In support of our commitment, we invested more than 100,000 hours in annual employee safety training in 2020. Throughout our organization, we engage in open exchanges to explore new ways to further enhance physical and emotional safety on the job. We encourage employees to take the time they need to complete a task safely and empower employees to stop working whenever they think a task is unsafe.

In addition to our employees, we also expect suppliers to provide products and services that comply with American Water requirements regarding health and safety, while meeting applicable laws and regulations. We expect suppliers to perform operations in a safe manner under healthy working conditions to prevent incidents, injuries or illness. See [Supplier Code of Conduct](#) for more on supplier safety.

### Safety Strategy: Zero Incidents & Injuries



## Policies

Our Health and Safety Policy outlines the responsibilities for implementing and managing effective programs to support the safest possible working conditions for our employees. This includes continual safety program improvement, reduction of occupational injuries and illnesses and compliance with regulations.

In April 2019, we established our ECRT to assist with events that have the potential for significant injury, death or impact to our operations, reputation, brand or stakeholders. The ECRT comprises employees representing our Communications, Health and Safety, Legal, Operations, Risk Management, Security, Supply Chain, Engineering and Environmental and Water Quality teams. The team provides guidance and support in adhering to our Incident and Event Management Practice, which defines our proper incident management in compliance with NIMS.



## Governance

We embed safety in everything we do. All American Water employees must account for their own safety and the safety of others through active engagement in safety. We extend safety accountability to our contractors and community partners as well.

Our Chief Operating Officer (COO) and Chief Operational Excellence and Safety Officer provide leadership and oversight for our OHS performance and culture. Our Vice President of Safety Leadership and the rest of our Executive Leadership Team execute our safety strategy in an effort to achieve zero injuries. In addition, our State Subsidiary and Business Unit Presidents and Vice Presidents of Operations are accountable for safety strategy implementation and day-to-day OHS management in each state and business where we operate.

### National Safety Council

Our National Safety Council reports to our Executive Leadership Team and comprises employees across our business representing our operations and functions, including union-represented employees. The primary responsibilities of the Safety Council are to evaluate safety related events across the business and provide recommendations for improvement. We address and resolve the majority of safety concerns at the local level, and we have many local safety committees across our footprint. These committees support the National Safety Council, raise concerns that require further evaluation and complete proactive safety action items to improve the local safety culture and work environment.

### The Safety, Environmental, Technology & Operations Committee

The Safety, Environmental, Technology and Operations Committee provides us with Board-level oversight of OHS, including significant policies, practices and performance related to matters of health and safety for all stakeholder groups. The committee meets on a quarterly basis and monitors our safety strategy and risk management, leading and lagging safety metric performance, potential significant injuries or near misses, compliance with safety regulations and our safety culture. As part of this process, the Committee meets directly with frontline managers and employees to talk about their personal safety experiences.

# Occupational Health & Safety Management System

403-1

Our journey to zero injuries requires creating a sustainable safety culture through strong leadership, continual employee engagement and foundational programs and practices. We voluntarily maintain an OHS management system to enable our people to operate safely, efficiently and in compliance with federal, state and local laws and regulations with an intense focus on achieving zero injuries. This management system covers all American Water operations, employees and contractors. We review and update the management system to help inspire continual improvement. We record OHS data in alignment with Occupational Safety and Health Administration Occupational Recordable Incident Rate (ORIR) and Days Away, Restricted or Transferred (DART) Rate formulas.

Our OHS Management System provides the framework for executing our safety strategy and achieving a zero-injury culture. We expect all employees—from executives to frontline workers—to actively drive our OHS progress by reporting near misses and becoming a Certified Safe Worker through our safety management system.

We strive for continual improvement and listen to employee and contractor feedback regarding improvements to safety practices. Looking ahead, in 2021 each business will align to a core safety plan as part of our ongoing effort to increase consistency in our safety practices throughout American Water.

In 2021, we expect to complete our transition to an integrated data management system, which will become our standardized safety-reporting platform across our regulated operations. We will use this system to track all safety actions, including safety incident management, near misses, job site checklists and pre-job safety briefings. The platform will also improve our ability to assign and track corrective actions, as well as provide detailed analytics to allow us to make more data-driven decisions.







#### HIGHLIGHT STORY

## Illinois American Water Celebrates Multiple Safety Milestones

Illinois American Water marked several significant safety milestones in 2020. In May, the wastewater service team in the Village of Godfrey, Illinois became the second Illinois American Water team to celebrate two decades without a single lost-time injury. In August, the Cairo District added to their record and celebrated 21 consecutive years of safety excellence.

Beth Matthews, Illinois American Water Vice President of Operations, said, “These achievements are a testament to the long-time commitment to safety by our team members. We are proud to be a part of this accomplishment and to recognize our employees.”

Several other Illinois American Water teams celebrated safety milestones in 2020, including:

- **May:** The Lincoln District celebrated 12 years;
- **August:** The Streator District celebrated 12 years; and
- **December:** The Alton Production team celebrated 13 years.

Bernie Sebold, Senior Health & Safety Manager credited the teams for their commitment to safety. “The work they do is complex, and with the COVID-19 public health emergency, our colleagues faced additional challenges. I am proud of how the company responded and our continued focus on not only delivering essential water service to homes and businesses, but also remaining focused on safety.”

The safety excellence demonstrated is the result of an enduring, dedicated focus on worker health and safety. Illinois American Water employees work tirelessly to provide critical water and/or wastewater service to homes and businesses. To provide these critical services for public health, fire protection and household uses, employees may need to work in confined spaces, among motorists and in extreme weather. Employees may also handle chemicals, conduct excavation and operate heavy equipment.

To learn more about Illinois American Water, please visit [our website](#).

## Hazard Identification

403-2

Our employees conduct daily safety toolbox talks and pre-job safety briefings to identify hazards and assess risks before work begins. These briefings give employees time to step back, think about and plan the work to perform it safely; identify safety hazards; and formulate strategies to eliminate, mitigate or minimize these hazards. Additionally, supervisors and employees conduct job site inspections and observations to identify potential on-site safety hazards and provide feedback on safe/unsafe behaviors.

We issue every American Water employee and contractor with a Stop Work Authority card on their ID badge, empowering individuals to identify and stop potentially unsafe work at any time without reprimand or criticism. This Stop Work Authority enables our workforce to take the time they need to evaluate and explore ways to further enhance job safety, even if it takes longer to complete a job. We encourage our employees and contractors to stop work if they think a task is unsafe, discuss safety enhancements and address the hazard or issue with management.

## Incident Investigation

When safety incidents do occur, we act quickly to investigate and determine the root cause and corrective actions needed. We require all initial investigations to be completed within three business days of the event and implement interim and/or permanent corrective actions with urgency.

## Near Misses

We encourage our employees and contractors to report near miss safety incidents and unsafe conditions, either via phone to our Security Hotline, or through a computer or a tablet/smartphone on our proprietary Safety Application. Our local teams investigate these incidents and implement corrective actions to prevent potential future injuries. We monitor the number of reported near misses, corrective actions taken and the time it takes to complete the corrective action. We use this measure as a leading indicator safety metric and report our progress to leadership and all employees throughout the year.



We included these metrics in quarterly reports to the Board's Safety, Environmental, Technology and Operations Committee for review.

In 2019 and 2020, we achieved our annual corporate goal to complete 99% of corrective actions within 30 days of the near miss incident. More than 9,700 near misses were reported in 2020, a 51% increase over the previous year. Since inception, over 31,000 near misses have been reported.



## Occupational Health Services

403-3, 403-6

American Water has partnered to provide employees a broad range of health services to promote both physical and mental wellbeing.

To identify and prevent safety risks, we conduct injury analyses, determine trends and implement preventative or corrective actions processes. For example, our analyses indicate ergonomics and body mechanics as our most common risk and type of injury. Therefore, we place a significant focus on the education and prevention of musculoskeletal injuries.

To promote the ergonomic wellbeing of our employees, we conduct industrial hygiene testing, ergonomic training, evaluations and more. Many of our sites utilize routine physical therapist visits who provide guidance on ergonomic concerns, conduct observations and provide training and coaching.

Beginning in 2020, the TRIAD Health Center became available to our employees at our Corporate Headquarters in Camden, NJ. The health center offers primary care, urgent care, condition management and preventative screening services, staffed by a Board-certified primary care physician. The center also provides virtual medical care as an option for employees. For locations other than headquarters, we partner with local clinics to provide similar services to local employees. For more information regarding health benefits, please see the Compensation & Benefits section.

Employees at our corporate headquarters have access to an on-site 24/7 fitness center for a nominal monthly fee. Our partners at Platoon Fitness staff the fitness center daily, which offers cardio and strength training equipment, daily classes, full locker rooms with showers and gender-neutral locker rooms. We encourage our employees to use alternative forms of transportation to commute to work, and the fitness center hosts a bicycle storage room to help facilitate alternative commuting and promote wellness both inside the gym and out. We also offer discounted gym memberships for employees based at many of our other locations.

## Employee Wellbeing

We provide our employees and their families with access to myWellness, an interactive online wellness program that supports and encourages a healthy lifestyle both at work and at home. In 2020, we enhanced the myWellness website to include more tools and activities for employees, including customized programs and action cards tailored to an individual's specific health conditions.

MyWellness features integrated tools that focus on physical, emotional, financial, safety and community health. Employees and their families can take confidential health assessments and receive a holistic view of their overall health and wellbeing, as well as resources to help achieve their health goals. To keep our employees engaged with their wellness plans, we offer a quarterly cash incentive program that rewards more consistent user activity.

In 2019, the Safety Council collaborated with our I&D Advisory Council to enhance workplace dialogue about both emotional safety and physical safety. As part of this effort, we hosted an emotional safety podcast for employees, which focused on the importance of emotional safety and its effect. Since 2019, we have developed emotional safety and intelligence in the workplace trainings and offered additional educational resources including podcasts on this topic with internal and external experts.

In addition to our wellness program updates, we also continue to expand our employees' benefits program to offer needed resources and benefits to all employees. Read more in the [Compensation & Benefits](#) section of this report.

## Employee Assistance Program (EAP) Employee Assistance Program

American Water offers an EAP through Carebridge, where all employees and their eligible dependents can access a variety of resources to support their emotional safety and wellbeing, free of charge. Carebridge provides confidential support through its Work-Life Specialists to help individuals who are experiencing a variety of challenges, including financial, legal, family and emotional needs. The EAP helps people find real solutions by providing guidance, resources and expert referrals based on an individual's needs.



## Occupational Health & Safety Training

403-5

We provide every employee—regardless of job category classification—with the training and tools they need to perform their jobs safely and successfully. We execute our safety strategy through a four-point plan of accountability, training, utilization of record systems and leading indicators/employee engagement.

We provide ongoing training for employees via instructor-led sessions and online trainings through our LEARN system. Employees receive a health and safety scorecard aligned with their individually assigned safety curriculum, based on their job responsibilities. LEARN also provides each employee with a safety training dashboard, available online or via smartphone app, that allows them to monitor their training status. Managers and leaders can also access a detailed LEARN dashboard to track training completion at an individual or group level.

Our leadership supports employee-led safety programs and understands their importance to safety improvements across our company. This includes our union employee-led training program, Systems of Safety, in partnership with Power for America and the Utility Workers Union of America. This training is a unique union-developed, employee-focused program that encourages communication and collaboration on safety related events between management and employees.

The program exemplifies our safety strategy of empowering employees and fostering a collaborative environment focused on zero injuries.

In October 2020, the National Safety Council held Safety Week, an annual five-day event titled “Focusing on the Fundamentals of Safety,” bringing tools and activities to employees reflecting the cornerstones of American Water’s safety culture. Each day throughout Safety Week, we distributed a company-wide email with resources to increase safety awareness and keep it front-of-mind for employees at work and at home. We held local activities, as well as corporate podcasts and events, to bring a heightened awareness to improving our safety culture. The topics and discussions during Safety Week included safety trainings and informational resources on:

- Defensive driving;
- Communicating hazards;
- Emotional safety;
- Fire safety and prevention;
- Near-miss reporting;
- Pre-job safety briefings; and
- Slips, trips and falls.

## Communication

403-4

Our local safety committees comprise both frontline and management employees, who meet regularly to promote participation, involvement and communication in our ongoing OHS programs.

Our Health and Safety team meets on a weekly basis to review and discuss program performance and concerns from across the company. In addition, the Corporate Safety team hosts monthly leadership calls to review safety performance, serious safety incidents and near misses. The calls also serve as a venue for the team to communicate other pertinent safety information, discuss safety related issues of mutual concern and receive feedback from Operations.

When developing our OHS management system, we solicited input from employees at all levels. To keep employees current on OHS events and developments, we consistently communicate to our workforce through a variety of mediums including Splashpoints TV, weekly newsletters, mySource, company-wide emails and LEARN trainings.

In 2020, our leadership began having safety conversations designed to drive engaging dialogue around best practices, which could be shared with employees. These talks quickly evolved into our Daily Safety Talks, a brief email sent every morning to all employees that features a different safety discussion each day. Our Daily Safety Talks cover a variety of topics, such as incident safety alerts, safety tips when working from home, weather safety, mental health and safety tips for conducting fieldwork.

Every week, we distribute a safety video that covers a range of topics, including incidents, near misses, new equipment, tools, PPE, technology and safety best practices. Throughout the business, managers and supervisors have daily and weekly safety touchpoints, as well as monthly safety meetings, to facilitate safety discussions and listen to employee feedback.

In addition, we continue to utilize our Splash Points and Splash TV to communicate with our workforce. Splash Points are weekly emails highlighting safety accomplishments, incidents and new equipment, tools, PPE and technology developments across the organization. Similarly, Splash TV succinctly communicates safety topics through rotating slide shows and videos shown throughout the day in central locations at most of our operating centers.

We typically host an in-person Safety Summit as part of American Water's Safety Week. In 2020, we shifted the event to a virtual platform, allowing us to extend the invitation to employees' family members. The result was our first ever virtual Family Safety Summit. Senior leaders spoke during the virtual summit about our overall approach to safety in the workplace, including key topics such as our stop work authority, near miss reporting and proper use of safety equipment. The Summit featured discussions geared toward home safety behaviors and ways that employees and their family members can own safety at home. Additionally, we incorporated a Kid's Summit full of age-appropriate activities for our employees' children.





# OUR PERFORMANCE

103-3, 403-7, 403-9, EEI 7.3, EEI 7.3.1, EEI 7.3.3

We remain focused on improving our OHS performance each year. We analyze our OHS data to look for trends and commonalities, perform root cause analysis and implement improvements following the Plan, Do, Check, Act principle. Our ultimate goal is zero incidents. We can achieve this goal through our employees' and leadership's passion for zero injuries, care for each other's safety, and our unwavering commitment to our processes and clear strategic actions. We set several annual goals and targets to track our improvement:

- Reduce our ORIR and DART rate annually;
- 99% of near misses identified, reported and mitigated within 30 days of their occurrence;
- 100% of our contractors and vendors will be approved in accordance with the Contractor Safety Qualification Practice and held accountable to our Safety Standards;
- Complete all specific Serious Injury or Fatality incident corrective actions within 30 days across the business;

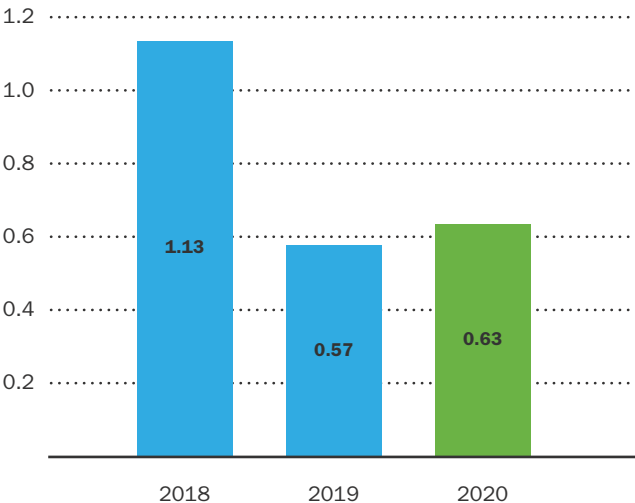
- 100% of all American Water and Contractor serious injuries and fatalities (SIF incidents) will be reviewed with corrective action plans established and communicated across the business within seven days, and appropriate corrective actions implemented within 30 days; and
- Achieve a year-over-year increase in preventative care exams across our workforce.

We measure and report numerous health and safety metrics in accordance with GRI. For more information, please see our [GRI Content Index](#).

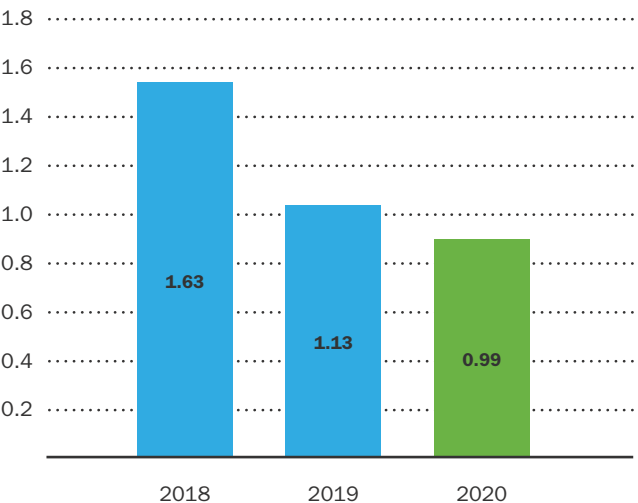
Our relentless focus on safety continues to produce positive results. In 2020, we recorded our fourth consecutive year of record safety performance, achieving the lowest injury rate in our company's history. Through December 2020, we had further reduced our recordable injury rate to 0.99, approximately 81% better than industry average.

Looking ahead, in 2021 our National Safety Council will increase its focus on emotional safety in the workplace. Additional priorities will include new employee onboarding and safety training, CEO Safety Awards and Safety Week activities.

## Days Away, Restricted & Transfer (DART) Rate



## OSHA Recordable Incident Rate (ORIR)



# Talent Attraction, Engagement & Retention

## WHY IT MATTERS

103-1

Our more than 7,000 employees remain our most valuable assets yet, in the next five years, nearly one-third (31%) of our workforce will become eligible for retirement. It is more important than ever that we continue to take steps to pass on our institutional knowledge, while simultaneously attracting the very best talent to our company.

It is also vital that we continue to embrace and promote an inclusive and diverse culture that allows everyone to constructively challenge ideas and raise concerns. In doing so, we will continue to attract and retain the most qualified talent. We feel that our workforce should reflect the diverse communities we serve. Our diversity is our strength, and we continue to prioritize fostering an inclusive and diverse company culture where all employees are encouraged to be their whole and true selves.

I&D continues to be a priority in our recruitment efforts. As we expand our business and compete for top talent, we also focus on continuing to provide strong benefits, equitable pay and an inclusive work culture to encourage retention. We know that current and potential employees want to work for a company that is purpose-driven. American Water is that company.

### DOWNLOADS

<a href="#">2020 Inclusion &amp; Diversity Report</a>	<a href="#">↓</a>
<a href="#">Employee &amp; Community Engagement</a>	<a href="#">↓</a>
<a href="#">American Water Benefits</a>	<a href="#">↓</a>
<a href="#">Giving Back Is Beautifully Different</a>	<a href="#">↓</a>



## OUR APPROACH

103-2

### Governance

American Water's Senior Vice President, Chief HR Officer oversees our I&D, Talent Management, HR Operations and Compensation & Benefits teams, which all directly work on Talent Attraction, Engagement and Retention practices and progress. Talent Management further oversees our Talent Acquisition & Employee Experience, Leadership & Organizational Development, Learning & Development and Digital HR teams, which have a large role in our practices and progress.

For more information about our leadership on inclusion and diversity, please see our [Leadership on Diversity](#) section.

## Recruitment

We recruit people who embody our core values. We foster an environment where diverse backgrounds are respected and valued and where all employees have equal opportunity and voice. We maintain inclusion and diversity from the highest levels of our company, beginning with the Board of Directors, Executive Leadership and Senior Leadership Teams, down to our entry-level employees.

### Investing in Our Talent Pipeline

Throughout our footprint, we pursue partnerships to promote STEM (Science, Technology, Engineering and Math) careers to students at all grade levels. Our Communications team regularly engages with middle school students to inspire interest in the sciences. Our Talent Acquisition team partners with local colleges and universities to develop internship and co-op programs in areas where we operate. In addition, our Engineering team hosts an engaging co-op program that encourages local students to gain relevant experience.

American Water's Internship/Co-op program offers benefits to both students and our company. We offer students work experience, as well as an opportunity to explore career interests, earn academic credit and learn about full-time employment opportunities. The program provides us with a chance to expand our talent pipeline, increase the diversity and perspectives within our teams and enhance our company's visibility with colleges and universities where we operate.

We structure our program to provide participants with an immersive experience and thorough understanding of the company. During 2020, the program adjusted to a virtual format but remained an inclusive, collaborative and comprehensive internship/co-op program. All interns and co-ops participate in a formal onboarding process that includes meet and greet activities with colleagues. At the end of the program, each participant makes a capstone presentation to American Water business leaders and fellow cohort members sharing their experiences and what they have learned in their role. Several participants in the 2020 program accepted full-time positions after completing their internships.

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“Everyone I worked with was extremely friendly and helpful along the way, and I never felt like I was struggling without any guidance. My hiring manager devoted many hours to keeping me up to speed, especially during my first week on the job. Ultimately, it was a great learning experience, and I am fortunate to have received a full-time offer.”

**RISHI VARDYA, SUMMER 2020 INTERN**

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# Hiring & Promoting Diverse Candidates

Diversity is a focus for all of our job requisitions and candidate pools. Since 2017, we have had a focused I&D recruitment strategy with annual goals to improve diversity across the company. We set goals in 2021 to increase representation of females and racial minorities across our workforce and in leadership roles. Our strategy for inclusive and diverse talent acquisition focuses on three key areas: recruitment, selection and conversion. We solicit feedback from both employees and candidates to improve and refine our I&D strategy.

## Talent Acquisition

Recruitment aims to cultivate and grow diverse talent in the labor market. We leverage our I&D Advisory Council, a robust employee referral program and I&D Champion network to identify diverse talent during the recruitment process. We also engage with Historically Black Colleges and Universities and Hispanic Serving Institutions to increase our diverse talent candidate pool.

Some of our recruiting partnerships include:

- Getting Hired, an organization that helps inclusive employers hire individuals and veterans with disabilities;
- Hiring Our Heroes, an organization that sponsors a 12-week program offering transitioning service members professional training and hands-on experience in the civilian workforce;

- Hispanic/Latino Professionals Association, an organization that offers diversity-based recruiting information for employers and career information for individuals and job seekers; and
- Out & Equal Workplace Advocates, an organization working exclusively on lesbian, gay, bisexual, transgender, queer or questioning, and other identities (LGBTQ+) workplace equality by creating a culture of belonging for all.

## Selection

Our candidate selection process focuses on overcoming unconscious biases and prioritizing inclusive hiring. We work to identify and reduce potential biases in sourcing, screening and shortlisting candidates. Our HR Business Partners are involved throughout the hiring process so that these priorities remain front of mind. We also required all employees at American Water to complete Unconscious Bias and Mutual Respect training to increase awareness.

## Conversion

Conversion seeks to grow our appeal to diverse candidates by building our credibility as an inclusive, equitable and diverse workplace.

To track the progress and success of attracting diverse candidates, we provide our state Presidents and functional leaders with a monthly dashboard of key metrics and indicators. This includes a snapshot of open positions, number of positions filled in the last month and year-to-date, age of requisition, internal versus external hires, employee referral rates, candidate diversity, diversity in promotions and diversity of hires.

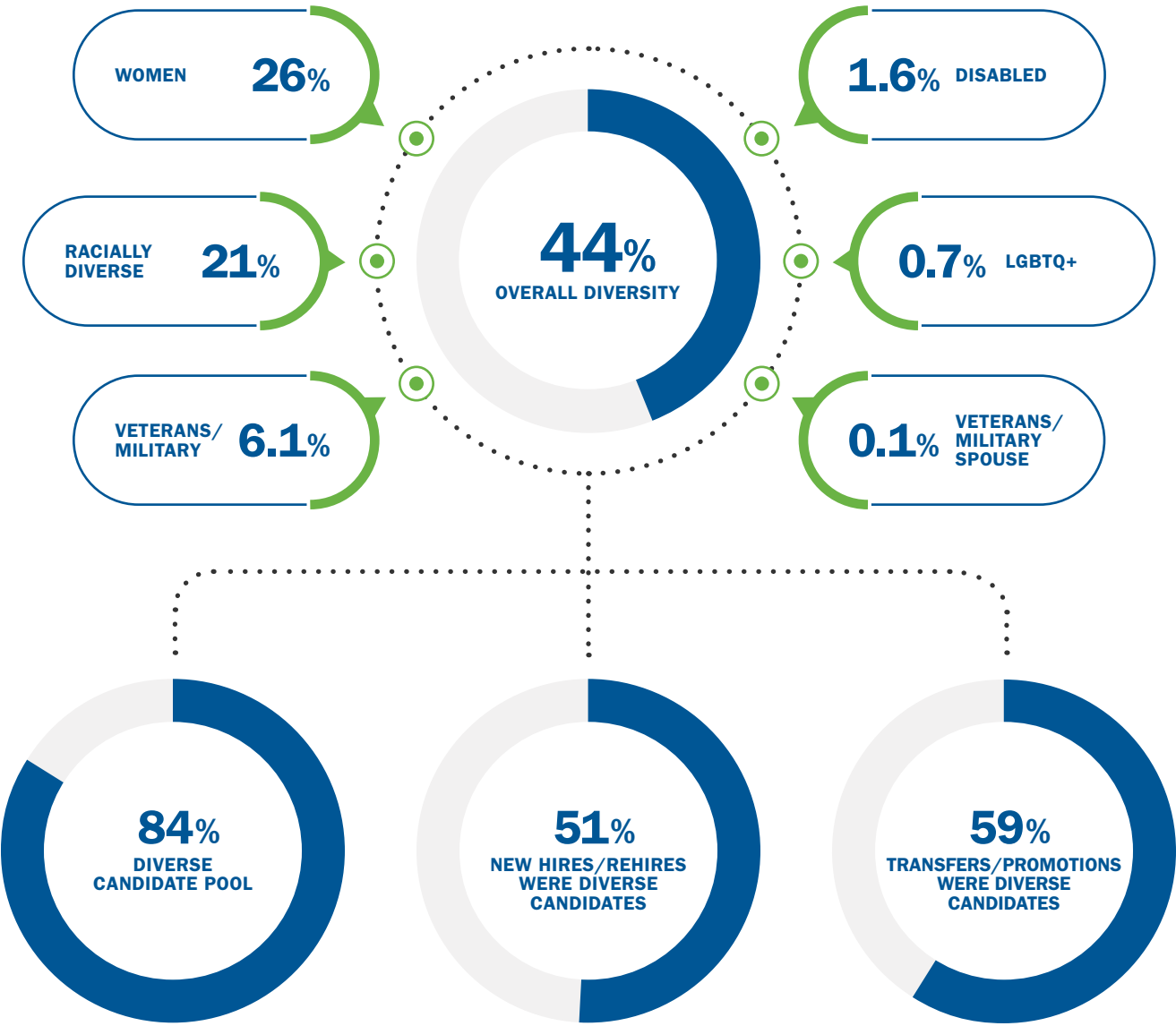
Metric	2018	2019	2020
Year-over-year transfers/promotions filled by individuals voluntarily self-identifying as minority, female, veteran, disabled, military spouse or LGBTQ+	53%	57%	59%
Job requisitions with diverse candidate pool, based on voluntarily self-identified gender, minority, LGBTQ+, disability and veteran or military status	86%	86%	84%



# Inclusion & Diversity

American Water published our first ever Inclusion & Diversity Annual Report in April 2021. This report details how far our company has come in recognizing that all backgrounds, ethnicities and experiences make our company better. We're constantly striving to continue to build an inclusive and mutually respectful workplace.

We are working to increase representation of females and racial minorities across our company, and we continue to have deeper, relevant and impactful dialogue across our company. We are engaging in and facilitating conversations that affect our female, African American, Asian American, Latinx, LGBTQ+, military and disabled employees.







## Leadership on Diversity

I&D intersects with all aspects of our business. In 2017, we initiated the company's I&D strategy and established an I&D Advisory Council. The council includes an executive leadership team sponsor, Chief Human Resources Officer, two business executive sponsors, the Chief Inclusion Officer and Vice President of External Affairs and a Division President. In addition, the Director of Inclusion & Diversity, an HR liaison, Communications team member and ten employees representing different geographies, positions and backgrounds are active members of the council. In 2019, we launched the I&D Champion Network, an extension of the I&D Advisory Council. The network includes nearly 200 employees who actively raise awareness about I&D and celebrate our successes, both internally and externally. To further strengthen our commitment to I&D, in 2020 we formally established an I&D department, overseen by our new Chief Inclusion Officer. In 2021, we launched three Employee Business Resource Groups (EBRGs), WE CAN (Women's Empowerment Champion & Ally Network), Together We Stand (African American/Black Employee), and LGBTQ+, inclusive for all employees to participate and focus on business impacts to careers, culture and communities. We will also be launching a Disabilities focused EBRG later in 2021.

## Commitment to Harassment-Free Workplace

We expect our leaders and employees to embody our core values by maintaining a work environment that respects the dignity and worth of each individual. We have zero tolerance for discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in our workplace. Inappropriate workplace behavior and unlawful harassment are wholly inconsistent with this commitment and create the potential to damage the company's reputation. We believe our stance on harassment and discrimination allows for a work environment that encourages inclusivity and reduces discrimination or harassment. We outline such policies in American Water's [Code of Ethics](#) and Respect and Dignity in the Workplace policy.

## Developing an Inclusive Workforce

Each year, we choose a new focus area to catalyze inclusion practices and trainings across the company. In 2018, we introduced our Respect and Dignity in the Workplace Policy and in 2019 introduced our Commitment to a Harassment-Free Workplace training. In 2020, we introduced additional unconscious bias and inclusion training company-wide with focused training for all employees and advanced training for all leaders, including:

- Respect and Dignity: Embracing Diversity and Inclusion in the Workplace;
- Developing a Culture of Respect: Promoting a Harassment-Free Workplace Online Training;
- Using Communication Strategies to Bridge Cultural Divides;
- Understanding Unconscious Bias;
- Overcoming Your Own Unconscious Bias;
- Overcoming Unconscious Bias in the Workplace;

- Bridging the Diversity Gap;
- Your Role in Workplace Diversity;
- Managing Diversity; and
- Understanding Workplace Diversity.

Everyone at American Water plays an important role in creating an inclusive workforce. Our Beautifully Different campaign celebrates what makes our employees [beautifully different](#) and promotes a workplace culture that encourages and honors diversity of people, ideas, thoughts and experiences.

In 2019, we launched a Self-ID Campaign, titled Inclusion Starts with ME. The intention of the Self ID campaign is to encourage employees to voluntarily identify personal attributes from various diversity categories including gender, race/ethnicity, veteran status, military spouse and LGBTQ+. The data used from self-identification helps to better understand the needs of employees and expand our inclusive workforce where everyone feels accepted and valued.

### HIGHLIGHT STORY

## Cheryl Norton Named First Female Chief Operating Officer

Cheryl Norton began her career at American Water in 1987 as a microbiology research technician, a temporary employee, at the Central Lab in Belleville, Illinois. On March 1, 2021 she became Executive Vice President (EVP) and COO. Her career is a shining example of American Water's focus on talent development, experiential learning and succession planning.



“My success is a direct result of the amazing people that I’ve worked with over the years who’ve been willing to teach me the business and allow me to bring my whole self to work. I’m honored and grateful to have the opportunity to give back by mentoring and helping others find their path here at American Water.”

**CHERYL NORTON, EVP & COO**

As a result of our Self ID campaign, American Water enhanced several employee benefits including:

- Introduced therapy (including speech therapy) treatment for autism;
- Added gender confirmation/reassignment services to our medical plans;
- Added health care coverage for hearing aids for employees and dependents; and
- Partnered with WinFertility, offering compassionate support to families facing fertility challenges.

To read more about employee benefits, see the [Compensation & Benefits](#) section.

In 2020, the American Water Charitable Foundation (AWCF) expanded our Beautifully Different campaign with the launch of the Giving Back is Beautifully Different campaign. As part of the new campaign, the AWCF donated \$10,000 to the Equal Justice Initiative. In total, the campaign raised \$72,000 and supported 616 charities through the participation of 2,153 employees.

We host I&D conversations and events regularly throughout the year aimed at continuing to foster a strong inclusive and diverse culture for all employees. For example, during Pride Month in June, we launched a PRIDE in the Workplace podcast episode as part of our 2020 Live Podcast series. In 2020, we also held our inaugural American Water Inclusion Day. As part of this company-wide event, all employees had the opportunity to participate in multiple I&D events across the company, including leadership talks, presentations, games, podcasts and panel discussions. As part of our 2020 Inclusion Day, our former President and CEO Susan Story and our current President and CEO Walter Lynch signed the [CEO Action for Diversity & Inclusion Pledge](#), committing themselves and American Water to advancing I&D in the workplace. In 2021, CEO Walter Lynch reaffirmed our commitment to the Pledge during our second annual Inclusion Day.



**2021 GOAL**  
INCREASE REPRESENTATION OF  
FEMALES AND RACIAL MINORITIES  
ACROSS OUR WORKFORCE AND  
IN LEADERSHIP ROLES



## Supplier Diversity

We have developed and implemented a Supplier Diversity Practice to identify and engage diverse suppliers. Supplier diversity is a business imperative in our sourcing process with our internal stakeholders and our supplier partners. We require our suppliers to meet our standards for certification, sourcing and reporting. Our Senior Manager of National Supplier Diversity and Chief Procurement Officer are responsible for the overall execution of our supplier diversity initiative. This initiative includes management, strategy development, implementation, monitoring and assisting efforts to increase opportunities and contract awards to small and diverse businesses. We also recognize diverse suppliers that demonstrate a strong commitment to our supplier diversity goals through awards for innovation, sustainability and safety.

In 2021, our goal is to achieve a diverse supplier and small business spend of 27.6%, an increase of approximately 10% over our 2020 performance. The year 2021 represents the third year of our five-year plan for increased spend with certified diverse suppliers. In our first two years, we met our goals and set a foundation for growth going forward, providing a roadmap for our continued success in the coming years.

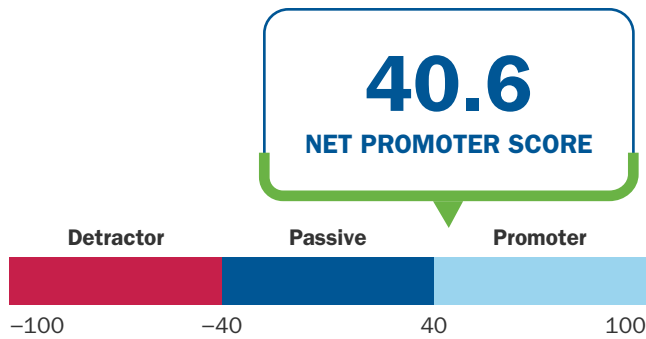
We require every employee, including our union-represented employees, to receive a minimum of 25 hours of training each year.

## Awards & Recognition

- Senior Manager of National Supplier Diversity, Lawrence Wooten, named chair for the National Minority Supplier Diversity Council (NMSDC) Utility Industry Group
- American Water awarded 2020 National Corporation of the Year by Eastern Minority Supplier Development Council (EMSDC)
- Senior Diversity Program Lead, Sharon Manker, named 2020 Minority Enterprise Development Champion of the Year by Women's Business Enterprise Center—East, a regional partner organization of WBENC (Womens Business Enterprise National Council), the largest certifier of women-owned businesses in the U.S. and a leading advocate for women business owners and entrepreneurs
- Named the 2020 Veteran Advocate of the Year by National Veteran Business Development Council
- Awarded the 2020 Emmett T. Vaughn Corporate Advocate of the Year by EMSDC, a regional affiliate of NMSDC, the largest minority-owned certifying advocate in the U.S.
- Illinois American Water's Workforce and Supplier Diversity Program Manager, Rhonda Carter Adams, recognized with Jerry Garland Award for Excellence in Supplier Diversity from the Illinois Utilities Business Diversity Council
- 2021 Military Friendly® Supplier Diversity Program designation







## Engagement

Our employee culture surveys provide us with valuable feedback to make our great company even better. In 2019, we introduced an employee Net Promoter Score (eNPS) to our annual culture surveys. The eNPS gauges employees' likelihood to recommend American Water as a place to work through scores ranging from -100 to 100.

In 2019, 77% of employees completed the survey, producing an eNPS score of 26.0. Our eNPS score improved to 40.6 points in 2020, with participation from 71% of employees. Culture Action Teams, comprising employees from across the company, use the survey results to identify opportunity areas and solutions to support a positive workplace culture.

In 2020, American Water conducted three pulse surveys to gather insights into concerns related to COVID-19, workplace reintegration and the development of the return-to-work plan. We are proud of the high percentage of employee engagement through both our surveys and regular communications.

## Development

We provide a wide range of development opportunities to enable employees to reach their fullest potential and conduct their work safely and effectively. In addition to HR business partners working directly with leaders in the field and functions, we operate a Talent Management Center of Expertise that develops and implements programs based on best practices to attract, motivate, develop and retain talented employees, and support a culture of learning across American Water. The Talent Management Center of Expertise has four key focus areas: Talent Acquisition and Employee Experience; Learning and Development; Leadership and Organizational Development; and Digital HR, which we implement through HR departments structured in parallel with these focus areas.

In 2021, we increased the minimum number of training hours per employee, including our union represented employees, from 20 to 25 hours. We provide support during work hours on a variety of topics throughout the year, including leadership and professional development, required annual I&D training along with other required trainings throughout the year. Additionally, we ask every employee to create a development plan. We also work closely with labor unions to learn how we can collaborate and improve our training effectiveness, especially around safety. Please see our OHS section for more information on company and union-led safety training.

**100%**

**IN 2020, 100% OF ELIGIBLE  
NON-REPRESENTED EMPLOYEES  
RECEIVED A FORMAL YEAR-END  
ANNUAL PERFORMANCE REVIEW.**





### Performance Reviews

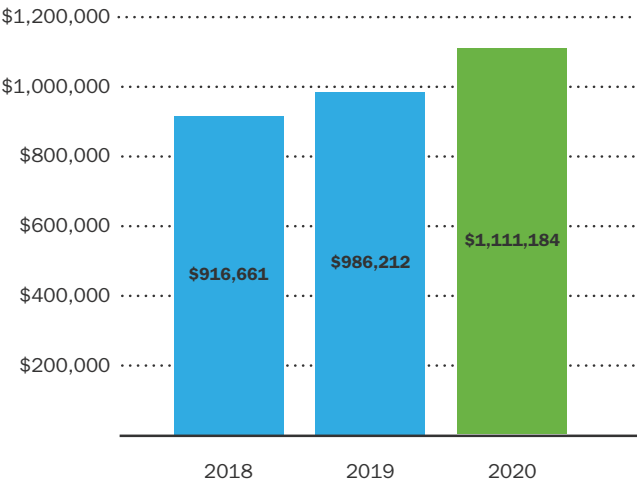
American Water’s performance review process enables our employees to collaborate with their managers to define goals that tie to the company’s short and long-term priorities, and to track performance progress throughout the year. We give equal focus to both the goals themselves and how those goals are accomplished, and we evaluate non-union employees on both factors as part of the annual year-end performance review process.

Maintaining a meaningful ongoing dialogue between employees and their managers is a vital part of career development and performance management. All non-union American Water employees participate in the year-end performance review process. However, it is expected that all employees (union-represented and non-union) work with their managers to create and discuss development goals. Beginning in 2021, we will conduct performance checkpoint discussions with non-union employees on a quarterly basis. This increased frequency will help provide our employees with regular touchpoints with their direct managers to set development goals and discuss their progress toward these goals throughout the course of the year. These conversations also allow for a fair and equitable basis for decisions on compensation. In 2020, 100% (3,922) of eligible non-union employees (representing 55% of our total workforce) received a formal year-end annual performance review.

In 2019, we incorporated all employees into the company’s Annual Performance Plan to maintain alignment between company and individual employee goals. Annual Performance Plan bonuses incentivize our workforce to pursue development goals that support the overall growth and success of American Water.

### Tuition Reimbursement

American Water provides up to \$10,000 reimbursement per employee per year for education costs approved by the company. Employees may use these funds toward a degree program. Tuition reimbursement facilitates employees’ professional development and their skills and knowledge related to American Water’s business. We have partnerships with University of Maryland Global Campus and Drexel University Online to provide our employees with tuition discounts, up to 25% and 40% respectively, as well as waived application fees. In 2020, we provided 203 employees with more than \$1.11 million in tuition reimbursement, a 12.7% increase from 2019.





## Leadership Development

We call our managers People Leaders and we invest in these individuals to help them perform effectively and take care of our people. We have three main development programs for our People Leaders: People-Powered Leadership, Future Focused Leadership and LEAD Mentoring Program.

**People-Powered Leadership:** In 2019, American Water piloted a leadership program to develop capabilities essential for being a leader in the Age of Disruption such as innovating, problem solving and leveraging diversity of thought and ideas. The program challenges participants to identify problems and collaboratively develop solutions to address issues they face in their daily jobs.

**Future Focused Leadership:** Future Focused Leadership is a blended, comprehensive learning experience for both current and aspiring people leaders. The program focuses on competencies of great leaders in the current and future digital age. Participants belong to learning cohorts and participate in a series of group-based, self-directed and social learning experiences over approximately six months.

**LEAD Mentoring Program:** In 2021, we initiated a new mentoring program designed to accelerate an emerging leader's ability to drive business strategies and objectives, while enhancing leadership capabilities and relationships. Learning through Experience, Accountability and Dedicated mentors (LEAD) is a blended-approach mentoring program designed to accelerate an emerging leader's ability to drive business strategies and objectives while enhancing and demonstrating their leadership capabilities, with support and guidance from an experienced executive.

The People Leader programs support and align with our vision, values, strategies and key drivers for success. The program brings together employees from across our organization to learn, share experiences and forge relationships that support their success in current and future leadership roles. In 2019 and 2020, approximately 13% and 19% of our total People Leaders, respectively, participated in these programs.

American Water continuously evaluates our leadership development needs and offerings to provide development opportunities to support our talent.

## Workforce & Succession Planning

### Workforce Planning

Through workforce planning, we analyze our current workforce across indicators related to age, retirements, turnover and other data analytics. We also examine trends such as increased competition for talent and the deployment of technology. American Water identifies roles that could be affected by automation. We also utilize a "Future of Work" playbook to reconstruct and redesign work roles to make them more fulfilling for our employees.

We design our reskilling and hiring strategy to fill talent gaps by investing in our people and leverage technology where possible. When we identify roles affected by technology, we work to reskill, redeploy or repurpose affected employees to new opportunities within the company. Additionally, the company invests in analytic tools for predictive job and skills analysis to monitor trends and adjust plans as needed through forecasting emerging roles and skills needed.





## Succession Planning

We maintain robust succession plans for critical leadership positions. We hold regular checkpoints with our executive leaders to review succession plans and to develop a pipeline of candidates to fill critical roles within the company.

Diversity is a key focus during succession planning, with our leaders reviewing diversity and turnover metrics and assessing the company's progress on cultivating and maintaining an inclusive and diverse culture. We create development plans for all candidates within the succession pipeline to develop and equip our future leaders with the skills and experience they need to succeed. We also work with our recruiting teams to fill talent gaps identified during this process.

Our Board of Directors is responsible for succession planning for our CEO and works with the CEO on other executive development and succession planning to provide for continuity in executive management. This planning process includes understanding the critical leadership roles that will shape American Water's current and future strategy, as well as identifying our current and future talent needs related to these roles. The Board works to help counsel us to effectively manage our leadership bench to meet both present and future needs for the most critical leadership positions.

CEO and other executive succession planning occurs at Board meetings throughout the year and involves regular interaction between and among Board members, the CEO, the Chief HR Officer and other members of management, as appropriate.

### HIGHLIGHT STORY

# American Water Recognized With Top Score on Disability Equality Index for Third Consecutive Year



In 2021, the Disability Equality Index (DEI) recognized American Water as a top-scoring company for the third consecutive year. The DEI is the most comprehensive disability inclusion assessment tool designed and embraced by both business leaders and disability advocates. In 2021, approximately 250 businesses participated in the DEI, and American Water's top score of 100% earned the recognition of "Best Places to Work for Disability Inclusion." The inclusion criteria measured culture and leadership, enterprise-wide access, employment practices, community engagement and supplier diversity.



# Compensation & Benefits

401-2

We strive to be a competitive and equitable employer of choice. We provide a comprehensive compensation program, designed to recognize our people and the vital roles they play in our success, with all of our employees, including union-represented, participating in the Annual Performance Plan.

All employees who average 30 hours or more per week receive full-time benefits, and full-time employees pay only 15% of the total cost of medical, dental and vision. We offer our non-union employees averaging 20 to 30 hours per week medical, dental and vision coverage at 50% of the total cost.

American Water offers the following benefits to eligible employees:<sup>[1]</sup>

- Medical plans (preferred provider organization & consumer directed health plan) with prescription drug coverage;
- Dental;
- Vision;
- Health savings account;
- Healthcare flexible spending account;
- Dependent Care flexible spending account;
- Voluntary benefits:
  - Critical illness;
  - Hospital indemnity;
  - Accident insurance;
  - Pet insurance;
- Disability (short-term and long-term);
- EAP (Carebridge);
- Wellness program;
- WIN Fertility Discount program;
- Commuter benefits;

<sup>1</sup> Benefits are for full-time employees; contract employees do not qualify for corporate benefits

- Basic life insurance;<sup>[2]</sup>
- Supplemental life insurance;
- Dependent life insurance for spouse and children;
- Tuition reimbursement program;<sup>[3]</sup>
- 401(k) savings plan with Roth option;
- Defined contribution account (5.25%);
- Employee stock purchase plan (15% discount);
- Defined benefit: pension;<sup>[4]</sup>
- Post-retirement medical;<sup>[5]</sup>
- Retiree medical reimbursement account/voluntary employees' beneficiary association (VEBA);<sup>[6]</sup> and
- Annual Performance Plan bonus.

Additional employment benefits include holiday, vacation and sick time that is at or higher than industry best practice. We provide all American Water employees with:

- Fourteen holidays (including floating holidays);
- A minimum of 10 to a maximum of 30 vacation days based on years of service;
- Ten sick days; and
- Fourteen days of paid leave that can be used to bond with a new child following birth, adoption or foster placement, or to take care of a sick family member.

In 2020, American Water piloted its first paid family leave policy for employees to use up to 14 days to care for a child or sick family member. During 2020 and into 2021, employees took advantage of this program and have benefitted from the time needed to care for their families. American Water continues to evaluate its paid family leave offering during this time to consider potential enhancements.

<sup>2</sup> Full-time employees only

<sup>3</sup> Employees working 15 or more hours per week only

<sup>4</sup> Hired prior to January 1, 2006

<sup>5</sup> Hired prior to January 1, 2002 (non-union) and January 1, 2006 (union)

<sup>6</sup> Union employees only who are not eligible for retiree medical

## OUR PERFORMANCE

103-3, 401-1

We have received various awards and recognitions demonstrating our accomplishments as an inclusive employer and employer of choice.

- 2020 DiversityInc Noteworthy Company;
- 2019 Top Corporations for Women's Business Enterprises by the Women's Business Enterprise National Council;
- Inclusion in the Bloomberg Gender Equality Index for the third consecutive year;
- 2021 Top Score on the Disability Equality Index for the third consecutive year;
- 2020 Secretary of Defense Employer Support Freedom Award from the Department of Defense;

- Recognized by U.S. Veterans Magazine and Military Times Magazine for Industry Leading Support of Veterans;
- Highest ranked utility on Barron's 2020 (#22) and 2021 (#15) 100 Most Sustainable Companies; and
- Military Friendly® designation since 2019. 2021 Military Friendly® Gold Employer, 2021 Military Spouse designation, 2021 Supplier Diversity Program designation.

We measure key employment metrics such as employee turnover to gauge our management performance over time. In 2020, even with our aging workforce, we experienced low employee turnover rates with a 0.07 overall turnover rate across our workforce. This extends to regrettable turnover rates, which are employee departures whom the organization would otherwise hope to retain. In 2020, we had just 0.009 regrettable turnover rate, representing an approximately 25% improvement over 2019.

### HIGHLIGHT STORY

## American Water Awarded 2020 National Corporation of the Year by Eastern Minority Supplier Development Council



The EMSDC named American Water the 2020 National Corporation of the Year. This award is in recognition of our commitment to EMSDC diverse suppliers in our supply chain, and for creating substantial business opportunities for diverse business enterprises.

EMSDC acclaimed American Water's dedication to supplier diversity through policies embedded in the organization, innovative thought leadership and execution in engaging minority-owned businesses. Our commitment and support of small and diverse businesses flow through multiple tiers of our supply chain, creating a ripple effect that becomes the catalyst in the economic success of the communities we serve. For more information about our supplier diversity program, please see Our Stakeholders, or visit our [website](#).



# OUR CUSTOMERS

Customer Experience →

Water Access & Affordability →

Water Quality & Emerging Contaminants →





# Customer Experience

## WHY IT MATTERS

103-1

Our company is built on a history of delivering clean, safe and reliable water with an exceptional customer experience. As a water provider, we know that our service plays a key role in the daily lives of our customers and is essential to a safe, healthy and sustainable life. Our customers are the central tenet of our business, and we focus on providing an excellent experience through simplified and dependable service. This includes clear and easily understandable bills and information, quickly handling customer inquiries and service requests and communicating effectively with our customers during service disruptions or emergencies.

## OUR APPROACH

103-2

To inspire progress and encourage continued industry leadership, we implement annual goals to deliver a top-rated customer experience compared to our water and wastewater industry peers. We also leverage technology and innovation that allows us to quickly receive, respond to and implement ongoing feedback. Our customers' needs are always evolving, and we always look for opportunities to exceed their expectations. We offer our customers multiple communication channels, including direct mail, online, phone and in-person, so that they may communicate, engage and transact with us in a manner that is most convenient for them.

### HIGHLIGHT STORY

## Changing to a Remote Customer Experience

The onset of COVID-19 required a rapid transition to remote working for many of our employees. Prior to the COVID-19 public health emergency, approximately 40% of our Customer Service agents were working remotely. Within weeks of COVID-19 reaching the U.S., over 90% of our Customer Service organization had transitioned to remote work without influencing the quality of service for our customers. Where in-person interactions are necessary, such as emergency calls, we require our employees and encourage our customers to follow all CDC guidelines, including strict social distancing during appointments.





## Policies

To provide the customer experience that our customers expect and deserve, we regularly update our policies, procedures and programs to recognize and meet our customers' changing needs. We provide our Customer Service employees with a training manual that includes policies and procedures to set up accounts, handle calls, address billing options and more. We also provide annual training and thorough guidance, including two full training days focusing on I&D and empathy, to all Customer Service employees and third-party representatives. We expect all Customer Service representatives to follow our policies and best-practice guidance to meet a wide-range of customer requests and needs.



## Governance

The Safety, Environmental, Technology and Operations Committee of the Board of Directors is involved in the management of Customer Experience. Our Customer Experience and Customer Service organizations report to our Chief Customer Officer, who reports to our COO. In coordination, our Chief Customer Officer and COO report on progress, new customer initiatives and fostering a customer-focused culture with the Board of Directors at Board and Committee meetings.

### **Dedicated Customer & Community Support**

Throughout our footprint, we have dedicated Major Account Managers who provide personalized service and a single point of contact to our largest customers and those with different needs than our residential customers. Our Major Accounts program includes vital community partners, including hospitals, school systems and universities. By growing the success of this program and engaging regularly with our local partners, we continue to build trusting relationships with our customers and strengthen the communities we serve.

In certain states, our Customer Advocacy groups work with our customers to increase engagement and solicit feedback that improves the customer experience. The feedback that we receive through our Customer Advocacy groups allow us to tailor our programs and services to meet customer needs at the local level.

Our Field Service Representatives and other frontline employees provide the opportunity for face-to-face interactions on a daily basis, whether in-person or socially distanced. To enhance these interactions, we created an application called Customer One-View, which provides Field Service Representatives with real-time insight into billing and usage data, allowing them to better assist our customers.

We also leverage our team of data scientists to explore how we can best utilize data to continue improving and developing a more personalized customer experience.



## HIGHLIGHT STORY

# Davenport Community Schools Meter Changes

In March 2019, Iowa American Water met with the Energy and Sustainability Manager for the Davenport Community Schools to discuss the district's meter change notices. The district manager noted difficulty in keeping track of all of the district's meter change notices, which spanned across 25 different sites, including high schools, junior high schools, elementary schools and the administration center. To develop a solution, Iowa American Water worked with the district to explore the feasibility of changing all of the meters during Spring Break, only one week later. Through thoughtful coordination, Iowa American Water helped create a service schedule that worked under the requested timeline with minimal disruptions for all parties involved.

Streamlining these meter changes helped consolidate the meter change notices that the district had previously been monitoring and managing. Through this experience, we learned that we could achieve greater efficiency for customers with multiple meters by changing out all of the necessary meters at the same time. We offered similar meter change options for other school districts, including Bettendorf Schools and St. Ambrose University. In fact, both of these customers decided to have all of their meters changed simultaneously during the following summer break.



## Innovation & Accessibility

It is our responsibility to make customer interactions, such as paying a bill, or move-ins and move-outs, as seamless as possible. As a corporate partner, our Technology & Innovation teams work diligently to provide technology solutions that improve customer experience, including self-service tools based on our customers' preferences. We also use a third-party language line to provide translations for different languages, allowing us to better serve the diverse needs of our communities.

### MyWater Customer Portal

In 2019, we launched the [MyWater](#) customer portal to offer customers a personalized way to communicate with American Water and manage their water services. Through the web portal, customers can:

- Track their water use;
- Compare water use to neighborhood average;
- Set up a new account;
- View and pay their bills;
- Check account balances;
- Update contact information;

- Sign up for service alerts;
- Schedule an appointment; and
- Enroll in Paperless Billing and Auto Pay.

Paperless billing offers customers a more sustainable billing option by providing electronic access to all the data provided on a hard copy bill. Customer satisfaction increased to over 90% in conjunction with the rollout of MyWater in 2019, and through 2020 continues to reflect an over 90% highly satisfied customer rate. As of February 2021, we have nearly 775,000 customers (approximately 24% of customers) enrolled in paperless billing, and we continue to see increasing enrollments in paperless billing and auto pay.

### Interactive Voice Response System

Our Interactive Voice Response (IVR) System is another communication tool available to our customers. By meeting customers' common requests without waiting to connect with one of our live customer service representatives, we can provide customer service more efficiently. In the same way that they could with a live customer service representative, customers can use the IVR system to check their balance, pay bills, turn off service and coordinate move-ins or move-outs, within two minutes or less. Our IVR system yields a self-service rate that averages 50%, which is higher than industry standards.





Photo Credit: [Bridgewater Commons](#)

## HIGHLIGHT STORY

# Major Accounts Bring Solutions to Bear for Strategic Accounts

In 2020, our New Jersey Major Accounts Manager initiated a relationship with Bridgewater Commons, a local shopping mall within New Jersey American Water's service area.

During their initial conversations, the property management team emphasized their focus on increasing their water and energy efficiency. New Jersey American Water leveraged the MyWater platform to improve data transparency and management while increasing the efficiency of bill management for over 25 accounts.

New Jersey American Water also initiated collective billing for these accounts so that the Bridgewater Commons could better track bills and payments.

Advanced meter infrastructure (AMI) presented another opportunity for Bridgewater Commons to better understand opportunities for greater efficiency. The AMI pilot program for Bridgewater Commons began in 2020, and Bridgewater Commons and New Jersey American Water continue to work together towards increased efficiencies, data management and best practices so that other customers may benefit from AMI in the future.



## Customer Education

There are many important aspects of water and wastewater services that we want our customers to be aware of, including water quality, the effects of aging infrastructure, climate variability's impact on water supply and the need to invest in local water resources and systems. Our educational campaigns and water efficiency programs also encourage our customers to learn more about the ways they use their water and how they can proactively manage their water use. For example, we provide additional communication to customers about preventing and mitigating frozen pipes in the winter, and enhancing water conservation and efficiency measures in the summer. For more information on water conservation and affordability, please see [Water Access & Affordability](#) and [Water Use & Efficiency](#).

We also provide regular communications focused on increasing public awareness of the true value of water, which is critical to the sustainability of the water industry and our capability to deliver water and wastewater services over the long-term. We also provide customers with an annual summary of their water quality, known as the Consumer Confidence Report (CCR). For more information about CCRs and Water Quality, please see [Water Quality and Emerging Contaminants](#).

We encourage a regular dialogue with customers through our Customer Service Center, relationship and transactional surveys, customer portal, social media, website, focus groups, open houses, bill inserts and messages, volunteer events and plant tours.

## Customer Feedback

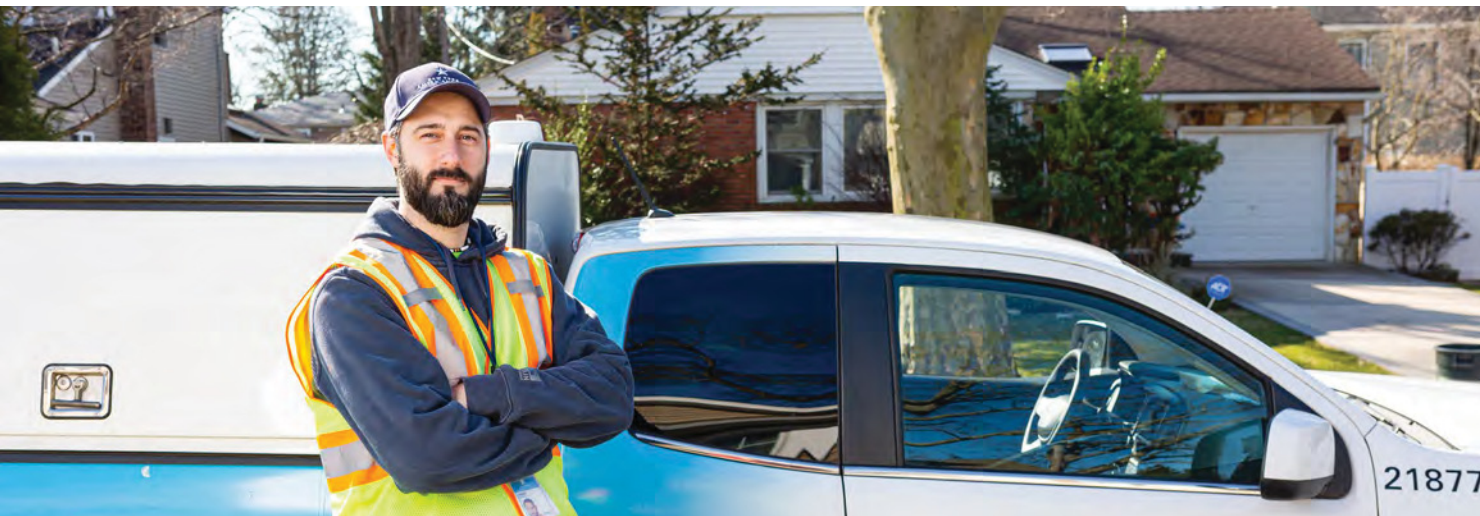
To improve our customer initiatives and experience, we actively seek feedback from our customers based on their own experiences. After any interaction, whether it be with a Field Service Representative, a Customer Service representative, online or through the IVR system, our customers have the option to share real-time feedback through our Pulse Surveys. We share survey responses with our Field Service Representatives, managers and employees so that we can reach out to customers and respond to their feedback as necessary, demonstrate and reinforce positive interactions and celebrate successes.

We also regularly engage our American Water Online Neighborhood for feedback regarding education materials and other customer initiatives. This online community is a voluntary panel of American Water customers who agree to participate in regular surveys. The program began in 2017 and we periodically refresh the membership to maintain a highly engaged group.

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Water is vital to safe, healthy and sustainable living, and because of this, our customers are the central focus of our business.

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## OUR PERFORMANCE

103-3

To guide our strong customer experience strategy, we set and evaluate customer satisfaction goals each year and disclose our performance in our Annual Report and other reporting. We also tie 15% of our incentive compensation to our performance in customer experience.

Our current target includes achieving “first quartile” in overall satisfaction, for each utility subsidiary within its geographic region, as measured by the J.D. Power U.S. Water Utility Residential Customer Satisfaction Study. The study measures the satisfaction of residential water customers of the 90 largest water utilities in the U.S. and considers six factors to score companies on a 1,000-point scale: quality and reliability, price, conservation, billing and payment, communications and customer service. In 2020, American Water subsidiaries claimed the top three spots in the Midwest—Large category for 2020 customer satisfaction.

- 1st Place—Illinois American Water (Score: 764)—also the first-place winner in 2016
- 2nd Place—Missouri American Water (Score: 757)—also the second-place winner in 2019
- 3rd Place—Indiana American Water (Score: 746)—also the first-place winner in 2019

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In 2020, we added approximately 37,800 new customers in the regulated business through closed acquisitions and an additional approximately 14,500 through organic growth. As of August 1, 2021, we have added approximately 11,200 water and wastewater customers through closed acquisitions and organic growth in our regulated businesses and entered into agreements to add approximately 86,900 additional customers connections through pending acquisitions. As we grow, we continue to uphold our strong commitment to our customers.

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# Water Access & Affordability

## WHY IT MATTERS

103-1

Water is a basic human right, and we support the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a national water utility, we know that our water supply must be safe, efficient, reliable, accessible and affordable. We consistently achieve affordable water costs that are significantly below the EPA's suggested guidance of 2.5% of household income. On average, our customers pay less than a penny per gallon for the water they use.

## OUR APPROACH

103-2, 413-1

Our approach to water access and affordability consists of two key strategies. The first is to provide water supply that is safe, reliable and meets the needs of our customers. The second is to provide affordable water services to customers while protecting our customers' right to clean water, regardless of economic status or geographic location. We also focus on addressing water affordability by maximizing both supply-side and demand-side efficiency. Please see our Water Infrastructure and [Water Use & Efficiency](#) sections for more.

## HIGHLIGHT STORY

# H<sub>2</sub>O Help to Others Program



The H<sub>2</sub>O Help to Others™ program provides emergency assistance and grant funding to customers in certain states, including Illinois, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania and Virginia, who would otherwise not have the resources to pay their bills. Company contributions and customer donations fund each program, and many states made additional contributions because of COVID-19. 100% of customer and corporate contributions go directly to qualifying customers, while American Water assumes all administrative costs for management of the programs.

In New Jersey and Pennsylvania, customers who qualify for the H<sub>2</sub>O Help to Others™ program may also qualify to receive a water-saving kit that includes a high efficiency showerhead, faucet aerators, a toilet tank diverter and non-toxic leak-detecting dye tablets. Some of the H<sub>2</sub>O help programs also provide educational resources and programs about managing utility usage and bills. Results have shown that customers who enroll in the program are usually able to start paying their water and other utility bills in a timelier manner because of the program's assistance.

## Governance

Water is inherently local, and therefore our state Presidents and the Vice Presidents of Operations, supported by our Rates and Regulatory Affairs leadership, are ultimately responsible for assuring the accessibility and affordability of our water.

## Programs

We offer a variety of customer assistance programs to help our financially challenged or disadvantaged customers pay for their water services. We offer payment plans that allow customers to make smaller payments on their past due balances without penalties. Where approved by state legislatures or other regulatory authorities, programs may include one-time emergency grants, ongoing service charge discounts, rebates for water-efficient appliances, leak detection kits or free water-saving devices. We also provide our customers with educational booklets that encourage water efficiency improvements in their homes to reduce service costs.

## Low-Income Tariffs & Grant Programs

Low-income tariffs provide eligible customers with a discount on their monthly water charges. American Water has low-income programs in over 75% of our service footprint across 12 states: California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia. In Pennsylvania, for example, qualifying households can work with community action agencies to receive up to an 85% discount on their fixed monthly water charges. In most states, other customers subsidize these low-income tariffs. Through year-end 2020, 50,862 active customers were receiving direct discounts on their water bill each month through our tariff program.<sup>[1]</sup>

<sup>1</sup> Includes New Jersey American Water, Pennsylvania American Water, Missouri American Water, Indiana American Water, West Virginia American Water and California American Water



# OUR PERFORMANCE

103-3, IF-WU-240a.1, IF-WU-240a.2, IF-WU-240a.3, IF-WU-240a.4

Geographic variability can cause significant differences in the cost of water services. For example, terrain challenges and low population density, combined with lower median incomes, can increase water costs as a proportion of household income. Recognizing these challenges, we work to balance infrastructure investment needs with water affordability to limit rate increases to 3–4% annually. We can also reach this balance by promoting O&M (Operations & Maintenance) efficiency, allowing us to increase our infrastructure investment by \$8 for every O&M dollar we save, with no impact on the cost of water services.

The EPA recommends that water bills stay in the range of 2% and 2.5% of median household income for wastewater and water service bills respectively. American Water’s average monthly residential water and wastewater bills are approximately 60% below the EPA’s benchmark for water affordability, and we continue to monitor the number of customers enrolled in our assistance programs to make sure we are effectively responding to customer needs.



SASB Code	Metric	2018	2019	2020
IF-WU-240a.1	Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers (per thousand gallons)	Residential: \$10.24 Commercial: \$7.67 Industrial: \$3.76	Residential: \$11.35 Commercial: \$8.30 Industrial: \$3.83	Residential: \$11.64 Commercial: \$8.87 Industrial: \$3.94
IF-WU-240a.2	Typical combined monthly water and wastewater bill for residential customers	\$95.00	\$99.50	\$103.90
IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	76.37%	71.22%	71.04%
	Number of states with low-income programs	12	12	12

# Water Quality & Emerging Contaminants

## WHY IT MATTERS

103-1

Maintaining exceptional water quality is key to the safety of our customers and communities and is a fundamental aspect of our business. As a consumable utility, maintaining safe and reliable water quality is essential to protecting our customers and public health. Protecting local water sources and being a good environmental steward also leads to better water quality.

Public awareness and concern for water contaminants has grown in recent years. In fact, a 2021 environmental survey found that 56% of U.S. adults worry “a great deal” about pollutants and contaminants in drinking water. Contaminants of emerging concern include chemicals from pharmaceuticals, personal care products, pesticides, herbicides, endocrine disrupting compounds and industrial chemicals. Naturally occurring microbes, such as bacteria, viruses and parasites for which the risk to the public’s health is not fully understood, are also considered emerging contaminants. To help protect our customers and the public from contaminants of emerging concern, we research the impacts of contaminants on water supplies, increase public awareness of emerging contaminants and leverage innovative technology to effectively manage water quality.

### DOWNLOADS

<a href="#">Cyanotoxins</a>	<a href="#">↓</a>
<a href="#">Lead</a>	<a href="#">↓</a>
<a href="#">Legionella</a>	<a href="#">↓</a>
<a href="#">PFAS</a>	<a href="#">↓</a>
<a href="#">Providing Quality in Every Drop</a>	<a href="#">↓</a>
<a href="#">10-K (page 18)</a>	<a href="#">↓</a>

## OUR APPROACH

103-2, 413-2, IF-WU-440a.3

Although the U.S. government, state governments and environmental and public health regulators set and enforce industry standards for water utilities, we surpass baseline regulations and standards and often go beyond minimum requirements to earn our customers’ trust and protect the quality of the water we deliver. We perform over one million water quality tests per year that help monitor and control microbial, chemical and radiological contaminants. Our teams conduct extensive research to enhance our understanding of emerging contaminants and their impact on water supplies. Our performance demonstrates our expertise; the drinking water that we deliver to our customers routinely meets or surpasses established standards.

## Policies

American Water is subject to federal and state regulations for our water and wastewater systems under the Safe Drinking Water Act, the Clean Water Act, the Clean Air Act and other policies. The company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources. We work with the EPA and other research organizations to examine the policies that can help manage water quality issues or challenges.

We have a comprehensive [Environmental Policy](#), which describes how American Water will conduct business in a safe and responsible manner that drives regulatory compliance, protects public health and promotes environmental stewardship.

## Governance

In 2019, we named our first Chief Environmental Officer, a position that reports directly to the COO, whose responsibilities include oversight of water quality and emerging contaminants. At the Board level, the Safety, Environmental, Technology and Operations Committee assists the Board's oversight and review of environmental policies and practices. Through our internal audit program, our employees audit our operations for water quality and emerging contaminants and report findings at least quarterly to the Safety, Environmental, Technology and Operations Committee.

We have additional levels of responsibility and leadership through the technical expertise within our corporate program. We have more than 10 Ph.D.'s on our industry-leading research and development team, which focuses on identifying new contaminants and developing plans to mitigate and treat any potential threats to water quality. Our corporate Environmental Leadership, Operational Excellence and Engineering teams work together to establish a coordinated strategy and deploy best practices and technologies to address these risks.



Finally, our state utility companies are responsible for managing water quality and emerging contaminants at the local level. Throughout 2019 and 2020 we expanded our training content to include specific water quality and compliance training to complement the localized training offered to water treatment operating personnel. Based on local regulations, our employees help our states to make informed decisions concerning water quality. We link employee performance assessments to water quality through industry comparisons.

### HIGHLIGHT STORY

## Governor's Environmental Excellence Award



New Jersey American Water received the 2020 Governor's Environmental Excellence Award for proactive leadership in designing and testing new methods to monitor Per- and Polyfluoroalkyl substances (PFAS) at the Short Hills Well Station. New Jersey American Water installed a cutting-edge treatment system that uses anion exchange resins to remove PFAS from the source water at the Short Hills Well Station, nearly nine months ahead of the PFOA and PFOS rule implementation by the New Jersey Department of Environmental Protection. This new technology not only removes PFAS contaminants that are already regulated, but also has shown the ability to remove shorter-chain PFAS more effectively than granular activated carbon.

# Key Emerging Contaminants

## CYANOTOXINS ↓

### What is it?

Toxic substances produced by naturally occurring microorganisms (also known as blue-green algae).

### What are the risks?

Harmful algal blooms resulting from high nutrient levels in water, can cause negative environmental and public health impacts, including Do Not Drink orders for drinking water supplies.

### How does American Water manage this contaminant?

We deploy a variety of strategies to promote source water management, including active monitoring, enhanced mixing technology and ultrasonic algal bloom treatments. We work with a number of industry groups, including the AWWA Technical Advisory Workgroup on Cyanotoxins and the Water Research Foundation on multiple projects that contribute to the latest research and technology for managing cyanotoxins.

## LEAD ↓

### What is it?

While lead is not typically found in the water that leaves treatment plants, contributors such as lead service lines (LSLs), as well as customer property plumbing containing lead solder and lead-bearing plumbing fixtures, can cause lead to leach into water supplies.

### What are the risks?

High levels of lead in drinking water pose significant risks to children and fetuses, including potential developmental issues.

### How does American Water manage this contaminant?

We work with state policy-makers and other regulatory authorities to endorse LSL replacements that protect public health. At our own facilities, we treat our water and routinely monitor water quality throughout the distribution system. We also replace LSLs as per our targeted plan. We educate our customers and increase public awareness of lead exposure risks and communicate precautions people can take to minimize their potential exposure. We also collaborate with other industry leaders and academia to develop tools to facilitate convenient LSL identification.

## LEGIONELLA ↓

### What is it?

While Legionella bacteria are naturally found in soil and water, high levels can occur in man-made water systems when warm water stagnates and adequate disinfectants are not applied.

### What are the risks?

Legionella pneumophila is the most common cause of human disease in North America and Europe, with severe cases (known as legionnaires disease) resulting in death rates ranging from 2.9–33%.

### How does American Water manage this contaminant?

We recognize the importance of disinfecting drinking water supplies and treat accordingly. To monitor overall quality throughout the distribution system, we also conduct regular water sampling. External funding allows us to lead efforts to develop strategies for sampling, detection and communications concerning Legionella and other opportunistic pathogens.

## PFAS ↓

### What is it?

Per- and Polyfluoroalkyl substances (PFAS) are a class of manufactured compounds used in various consumer products that include perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA). PFAS have been detected at elevated concentrations in both ground and surface waters.

### What are the risks?

PFOA and PFOS can lead to toxicity issues and are difficult to remove from the environment once they are detected.

### How does American Water manage this contaminant?

Our cross-functional research group focuses on both internal and externally funded projects concerning the scientific and regulatory framework related to PFAS detection and removal technologies. PFAS treatment is installed at treatment facilities where PFAS are regulated or applicable.



## Drinking Water

IF-WU-250a.2

To maintain rigorous water quality standards and customer confidence in our water quality, we use operational practices that guide our state utilities on robust water sampling and reporting. For example, the Vice President of Operations in each state confirms and reports on the collection of drinking water samples each month to their respective state President and the Director of Environmental Compliance and Stewardship.

We work diligently with local communities, customers and organizations to reduce the potential health risks of lead exposure in drinking water. Our goal is to work with the communities we serve to replace a significant majority of presently known LSLs in most of our service areas by the end of 2030. For future acquisitions, we will work with local communities as part of the acquisition process to set appropriate LSL removal goals for those systems.

Our current estimates show that less than 5% of the utility-side service lines within our regulated service territories are, or contain, lead portions. Several water industry organizations advise replacing the entire service

line rather than just the affected portion, and we align our approach with this recommendation, regardless of whether lead is found on the company or customer portion of the service line. This strategy is also consistent with the revised 2021 version of the EPA's Lead and Copper Rule. Additionally, we collaborate with 27 other national public health, water utility, environmental, labor, consumer, housing and governmental organizations through the [LSL Replacement Collaborative](#) to accelerate the full removal of lead pipes that deliver drinking water to American homes.

We supported legislation in both Pennsylvania and New Jersey regarding LSL replacement. Legislation included PA Act 120: Inclusion of Lead Service Line Replacement into Rate Base. And In July 2021, New Jersey's Governor signed the Lead Service Line Replacement Bill that includes O&M expense costs and interest accrued on customer-owned lines as recoverable items. We have supported and gained approval to recover the cost of the full LSL replacement, which includes the customer's portion of the line, in Illinois, Indiana, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia. For more information about our policy work, please refer to [Policy Influence](#).

### HIGHLIGHT STORY

## Prairie Grasslands Help Improve Water Quality

In 2020, Indiana American Water collaborated with organizations including the U.S. Fish and Wildlife Service and the Indiana Department of Natural Resources to plant more than 18 acres of prairie grasslands. Prairie grasslands include native flowers and grasses and have longer roots than common grass, which helps to reduce storm water runoff and remove harmful nutrients and bacteria. While also improving water quality, prairie grasslands also attract endangered pollinators and supply additional pollinator food. In fact, the Pollinator Partnership recognized Indiana American Water's contributions to pollinator conservation through this project, and Indiana American Water plans to continue similar projects in the future.



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We never forget that at the end of every water pipe there's a family depending on us to provide life's most critical need. That every treatment plant serves as a barrier against potential disease. And that every community should be stronger because we are there.

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To help us go beyond baseline expectations for water quality, we also participate in the EPA's Partnership for Safe Water. This voluntary program requires participants to meet stricter goals for protection against microbial contamination through treatment optimization. We received the following recognitions for our accomplishments:

- In 2020, we received 28 Partnership for Safe Water awards, demonstrating the higher standards met by our surface water treatment plans and our commitment to continuous performance improvement.
- Two of our plants at Pennsylvania American Water, the Clarion Regional Treatment Plant and the Norristown Water Treatment Plant, received the Five-Year Presidents Award in recognition of rigorous performance requirements.
- 26 plants received recognition for maintaining Phase III Directors Award status for 20 years. Two plants received recognition for maintaining the Phase III Directors Award for Distribution System Operations status for five years, and one plant received recognition for maintaining Phase III certification for five years. Directors Awards recognize long-term achievements of consistent high-quality performance and commitment to optimization.

American Water's Research and Development (R&D) program differentiates us from our peers, with in-house scientific and engineering experts who routinely interact with and maintain relationships with external governmental, industry and environmental groups, including the EPA, CDC, AWWA, the American Public Health Association (APHA) and the Water Environment Federation (WEF). We also have a long-standing partnership with St. Louis University and collaborate on new research within the newly formed WATER (Water Access, Technology, Environment and Resources) Institute.

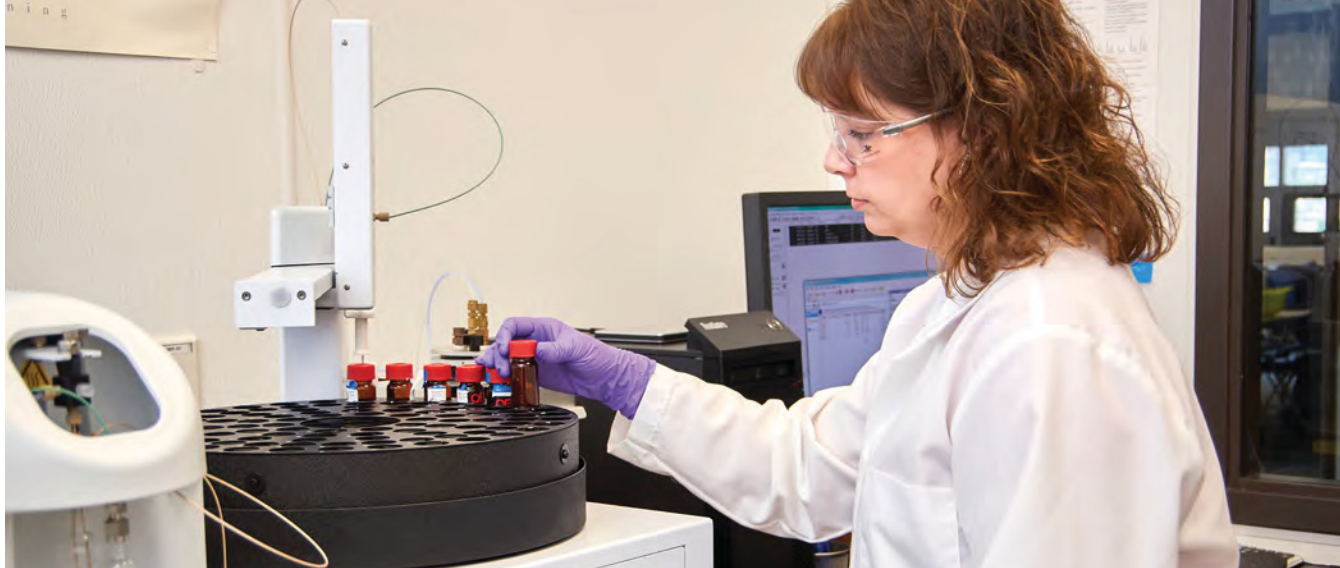
## Drinking Water Regulations

We are actively involved in shaping regulations for the drinking water industry. In the states in which we operate, we meet with regulators to assist in policy drafting and guidance, and we have regular communication with policy makers concerning drinking water regulation and policy.

Under the Safe Drinking Water Act, our Central Laboratory and water systems were heavily involved in the Fourth Unregulated Contaminant Monitoring Rule (UCMR4). Prior to the sampling campaign's completion in December 2020, we certified the lab to test contaminants under this rule. We are already looking ahead to Fifth Unregulated Contaminant Monitoring Rule (UCMR5) which will include sampling from 2023–2025.

American Water representatives are also members of multiple AWWA technical advisory working groups, including the Safe Drinking Water Act Processes and New Contaminants group. This working group contributes to PFAS detection and regulatory strategies, one of the most rapidly changing landscapes in the drinking water industry. We also work with a number of organizations, including the CDC and the Water Research Foundation, to better understand issues related to PFAS and public health.

We post federally required annual Water Quality Reports, also called Consumer Confidence Reports (CCRs), to provide our customers and other stakeholders with information regarding our compliance with regulations and water quality. CCRs also include additional details about where our customers' water, such as where it comes from and information about the importance of protecting drinking water sources. To view our Water Quality Reports, please visit [our website](#).



## Technology

Since its inception over three decades ago, our industry-leading research and development team has leveraged state-of-the-art technologies at our Central Laboratory to quickly identify threats to our water supplies, act on emerging regulations or new health advisories and evaluate the benefits of new and advanced treatment technologies. Over half of our research and development team includes scientists with Ph.D.'s in chemistry, engineering or microbiology. Our in-house expertise and strong relationships with external stakeholders, including governmental, industry and environmental organizations differentiates us from our peers.

Our team's achievements allow us to stay ahead of new regulations by identifying and controlling new contaminants of concern before mandatory practices are in place. We also participate in a number of Water Research Foundation projects related to contaminants of emerging concern, water scarcity challenges, operational optimization and cost-effective treatment or mitigation strategies. Some examples include:

- Investigation of treatment alternatives for short-chain PFAS;
- Sources and fate of taste and odor causing compounds;
- Management of emerging pathogens including Legionella in distribution systems and premise plumbing;
- Developing frameworks for customer messaging on emerging pathogens including Legionella in plumbing systems;

- Occurrence of Legionella in reclaimed water;
- Nitrosamine occurrence survey;
- Development of a Biofiltration Guidance Manual for drinking water facilities;
- Impact of biofiltration on nitrosamines and its precursors;
- Role of novel organisms in remediation of emerging contaminants in wastewaters;
- Natural and anthropogenic sources for nitrosamines precursors;
- Sources, chemistry, fate and transport of chromium in drinking water;
- Methodology for assigning pathogen removal credits to desalination intake wells;
- Establishing pathogen log reduction credits for wastewater treatment plants; and
- Optimization of ozone-biological activated carbon (BAC) treatment processes for potable reuse applications.

Advanced technologies, such as AMI and machine learning, as well as integration of our asset/work management systems, water quality complaints and water quality analytical data, increases the quality and efficiency of our monitoring processes. This allows us to quickly respond to any concerns across our infrastructure network. We use Geographic Information System (GIS) software through WaterSuite to collect information about potential sources of contamination from multiple data sources and consolidate information into a single database for a defined area of interest.



## Source Water Management

IF-WU-140b.2

Despite our strong risk prevention and management practices and programs, upstream pollution sources, such as industrial discharges, urban storm water runoff and algal blooms, can lead to increased risk of contamination, which can affect public health and the environment. We regularly test water samples across the country and use online sensors to monitor our source waters for indicators of harmful contaminants.

Protecting surface water sources against potential contaminants from upstream water supplies is also critical to maintaining water quality. In 2020, we implemented an updated Source Water Protection Practice for Surface Water Sources, expanding on our existing practices to incorporate Source Water

Protection Plans that identify proactive actions to mitigate potential risks to drinking water sources that in many cases go beyond regulatory requirements.

Our extensive surface water monitoring system is equipped to measure parameters such as pH, conductivity, temperature, oxidation-reduction potential, dissolved oxygen and organics in water. Each surface water system is developing a water quality baseline that will help alert our teams to detected anomalies in the water. Some of our larger systems have more advanced laboratory analytical equipment available on-site that is capable of detecting specific contaminants at low levels. We also collaborate with other utilities and organizations to enhance overall monitoring capacity throughout large river networks. If a potential contaminant is identified, we have contingency plans in place at all of our surface water plants to minimize the risks and potential impacts of contaminated drinking water.

### HIGHLIGHT STORY

## Environmental Near Miss Program

In 2020, we launched an Environmental Near Miss (ENM) program. ENMs are issues related to water quality, environmental compliance or stewardship that had the potential to affect public health or result in an environmental concern and were identified and corrected prior to violating any regulatory requirements. Areas for potential ENM events include chemical delivery and storage, drinking water source and treatment issues, sample collection, analysis and reporting, distribution systems and general environmental risks.

We empower and encourage all of our employees to report ENMs. Reporting and investigating ENMs allows us to identify problems and correct them before negative consequences occur, and we share our findings across the organization so that we can avoid potential problems elsewhere. During the initial six months of the program, more than 150 ENMs were submitted. The ENM program advances accountability for environmental leadership.





# OUR PERFORMANCE

103-3

We use a number of different indicators to drive our industry-leading water quality and environmental performance. We focus on both leading and lagging indicators to evaluate our environmental performance, including:

- **Leading indicators:** internal audits, peer-to-peer reviews, training, adherence to scheduled maintenance, advanced data analytics; and
- **Lagging indicators:** MCL (Maximum Contaminant Level) exceedances, tracking of Health Advisory Limit exceedances and meeting regulatory limits.

To measure and evaluate our drinking water quality and management, we compare our performance against the industry average for drinking water compliance indicators, including an annual Notice of Violation (NOV) target. This target is part of our company-wide Annual Performance Plan and requires us to provide drinking water quality that is at least 20 times greater than the industry average.

We also receive industry recognition through water quality awards from state and federal regulators and industry organizations for compliance with drinking water standards.

Metric		2018	2019	2020
U.S. Drinking Water Industry	U.S. systems in violation	17,499	17,741	17,700
	U.S. total systems	50,132	50,063	49,790
	Percentage	35%	35%	36%
American Water	American Water systems	326	335	382
	Theoretical number of systems with NOVs (based on U.S. percentage)	114	119	136
	American Water systems with drinking water NOVs <sup>(1)</sup>	10	6	9
	Times better than rest of water industry	11	20	14

<sup>1</sup> Drinking Water NOVs include: acute health based, non-acute health based and non-health based violations. Metrics provided exclude new systems acquired in the same year and third-party violations. NOVs are counted in accordance with established practices.



Upper Delaware near Buckingham, PA

**HIGHLIGHT STORY**

# Source Water Protection Week

In 2020, we hosted our first annual Source Water Protection Week to promote education and awareness around watersheds and environmental issues. The inaugural event realized great success, with six live events and over 7,000 hours of collective training for employees to learn more about environmental leadership and source water protection at work and at home. We covered a wide range of topics on source water and the environment, including watershed basics, responding to spills and other events and emerging issues and technologies. Employees engaged in live interactive Q&A on these topics and contributed suggestions on how to get involved and educate the public on environmental issues. We also recognized employees who went above and beyond in their communities to protect water supplies as our own Source Water Champions. We look forward to continuing and expanding this program in future years.

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**HIGHLIGHT STORY**

# Source Water Protection in the Delaware River Basin

The New Jersey Department of Environmental Protection is in the process of developing a state drinking water standard for 1,4-dioxane, a synthetic industrial chemical present in paint strippers, dyes, greases, antifreeze and aircraft deicing fluids, as well as some consumer products including deodorants, shampoos and cosmetics. When the South Region team of New Jersey American Water learned 1,4-dioxane threatened their region's water, teams from Engineering, Production, Water Quality, Legal, External Affairs and Government Affairs began an intense weekly sampling regimen to better understand the source of the contaminant and its impact on the region's water.

As of December 2020, our teams have coordinated over 400 samples spanning 200 river miles in the Delaware River Basin. We have also formed a multi-state and multi-agency working group to address the issue and find the source of the contaminant. As a result of the diligent sampling conducted by our teams, New Jersey American Water was able to optimize treatment and achieve a significant decrease in 1,4-dioxane levels in the treated water.



# INFRASTRUCTURE

Water Infrastructure →

Climate Variability →

Water Supply Resilience →







# Water Infrastructure

## WHY IT MATTERS

103-1

To safely deliver water and wastewater services to our customers, adequate infrastructure must be in place to support these services. Across the U.S., there are many examples of water and wastewater infrastructure that has fallen into disrepair due to a lack of funding for upgrades and replacements.

The American Society of Civil Engineers' (ASCE) U.S. water infrastructure report card provides insight into the current state of the country's water and wastewater infrastructure and underscores the need to maintain adequate infrastructure. The ASCE's most recent report card in 2021 gave the U.S.'s water infrastructure a C-grade and wastewater infrastructure a D+ grade. The latest water infrastructure grade represents a modest improvement from a D+ in 2017, while the wastewater infrastructure grade remained consistent. For the first time, the report card rated storm water infrastructure, which received a D grade.

These scores demonstrate the ongoing need for infrastructure investments that promote efficiency improvements and increases reliability. Looking ahead, we know that climate change will have a significant impact on water infrastructure across the U.S., underscoring the importance of upgrading infrastructure to maximize resiliency and mitigate intensifying climate change impacts.



## OUR APPROACH

103-2

We strive to balance infrastructure needs with water and wastewater affordability by consistently making infrastructure investments that will minimize significant risks and maximize benefits to our customers. Our comprehensive planning process uses a long-term, risk-based and comprehensive approach to evaluate the capacity, condition and performance of our water and wastewater systems. When evaluating our assets, we evaluate risks related to water pressure; water quality; regulatory compliance; system capacity; water main leaks and breaks; sewer system inflow, infiltration and overflow events; and overall system reliability and resiliency.

We conduct numerous comprehensive planning studies (CPS) and asset management plans (AMP) annually, and we evaluate systems on a rotating basis by priority, resulting in a prioritized capital improvement plan for each system. The combined CPS and AMP process includes:

- Evaluating the availability of our water supplies and system capacity against the projected growth of customer water usage;
- Assessing our water treatment performance against projected changes to water quality regulation and significant emerging contaminants;
- Evaluating the capacity and treatment capabilities of our wastewater systems; and
- Evaluating the condition and performance of our assets.

We make annual capital investments over \$1.6 billion per year towards upgrading and expanding our installed asset base, totaling over \$25.6 billion in book value. Our investments increase annually as we work to fix leaks, improve water quality, safeguard consistent water supply and maintain regulatory compliance across our water and wastewater systems. In the past decade, we have significantly increased our infrastructure investment budget, totaling over \$12.7 billion of regulated investment. We expect the need for significant infrastructure investment to grow, and over the 2021–2025 period, we expect to invest approximately \$10.3–\$10.5 billion in our regulated footprint with approximately \$8.9 billion, or 85%, dedicated to regulated investments.

We attribute the need for increased infrastructure investments to several factors, including our growing footprint, aging infrastructure and increased climate change volatility. We leverage advanced climate models and forecasts to evaluate our risks and opportunities for increasing the resilience of our assets. For more information, please see [Climate Variability](#).

We have a strong record of operating and maintaining distribution and treatment infrastructure, which can foster greater community resiliency for residents and businesses and boost economic development. Our reputation also allows us to grow our business through acquisitions of both municipal and private water and wastewater systems. Additional capital investments into the infrastructure of our acquisitions helps acquired systems increase compliance with regulatory standards and meet our own internal best practices for adequate and resilient infrastructure.





#### HIGHLIGHT STORY

# Scranton, Pennsylvania Wastewater System Upgrades Enhance System Quality & Reliability of System

In 2016, Pennsylvania American Water acquired the Scranton Wastewater System. At the time of acquisition, the system that needed improvements mandated by an EPA consent decree, in addition to normal capital investment and recurring maintenance projects. Pennsylvania American Water has since taken assignment of the consent decree and established a corrective action plan in partnership with the EPA that includes targeted investment over the course of several years.

In 2019, Pennsylvania American Water invested \$10.6 million and installed a 1.34-million-gallon equalization tank at a combined sewer outfall along Prescott Ave. in Scranton, PA. The outfall project was a part of the long-term corrective action plan to meet the requirements of the consent decree.

Prior to the project's completion, the number of overflows into the adjacent waterways would routinely exceed the amount permitted. After project completion, the number of overflow activities during a typical precipitation year decreased from 45 to two.

In 2020, to meet compliance with the long-term control plan, Pennsylvania American Water also invested \$7 million and installed a 700,000-gallon storage tank at the Washburn Street outfall to reduce the number of overflow events into the Lackawanna River. Prior to the new storage tank, the outfall averaged 57 overflow events during a typical precipitation year. Following the completion of the project, the number of potential events decreased to six—well within the permit's requirements.



## Policies

Our Capital Program Management and Asset Management Policies guide American Water's approach to infrastructure investment. Our Vice President of Engineering is responsible for activities related to these practices, with executive oversight from our Chief Operational Excellence and Safety Officer and COO. The policies include several supporting practices that work together to better inform our risk and asset management decisions, improve access to complete and accurate data and minimize life-cycle costs across the enterprise.

- **Capital Program Management Practice:** Serves as the primary governance document for capital program management governance, budgeting and reporting.
- **Asset Planning Practice:** Helps confirm that asset planning programs and investment strategies are in place to facilitate informed capital investment plans aligned with our mission and goals. Provides additional guidelines for assessing and prioritizing water and wastewater systems according to investment needs, as outlined in the 10-year outlook within our capital plan.
- **Capital Project Delivery Practice:** Guides and governs the actual implementation of projects, design, bidding and construction efforts.
- **Asset Risk Assessment Practice:** Provides guidelines and key activities for defining, prioritizing and managing risk within all asset management and capital investment processes, with a focus on high-risk assets.
- **Asset Maintenance Practice:** Establishes a risk-based maintenance strategy for water production, wastewater pumping and treatment equipment across all facilities.
- **Asset Control Practice:** Supports core business requirements and enables rapid response to data requests by requiring timely and accurate asset data creation and maintenance in our data management systems.

## Governance

Our regulated state utilities develop annual capital business plans based on identified needs through CPS and AMP work. The state utilities' Board of Directors must approve the annual plan for the relevant state utility before American Water's Board of Directors approves the consolidated plan each December. After the Board approves the plans, state utilities and the American Water Capital Program Management Committees (CPMCs) oversee their implementation by our state engineering teams. Each state's CPMC includes the state President and program managers for engineering, operations and finance. The enterprise-wide American Water CPMC includes our COO, CFO, Vice President of Engineering and Director Engineering-Enterprise Capital Program. Each of these cross-functional committees meet on a monthly basis.







#### HIGHLIGHT STORY

# Missouri American Water Upgrades Rogue Creek Wastewater System

Due to concerns voiced by the Missouri Department of Natural Resources, Rogue Creek residents and Missouri American Water, Missouri American Water acquired the Rogue Creek Wastewater System in 2018. Following the acquisition, Missouri American Water completed significant reliability and renewal projects within the Rogue Creek wastewater system. The \$350,000 investment in new sewer lines, safety systems and new electrical equipment realized improvements in customer satisfaction, employee safety and environmental compliance and operational efficiency. Throughout the construction process, Missouri American Water pumped and hauled waste to an adjacent treatment facility, preventing service disruptions and minimizing potential customer impacts.

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“When a water or sewer system has been neglected and under-invested in for years, as was the case in Rogue Creek, it usually needs quite a bit of work to get it back into compliance and running properly. We are proud that Missouri American Water can help struggling systems improve their safety and reliability while keeping rates affordable due to our strong technical expertise and economies of scale.”

**DEBBIE DEWEY, PRESIDENT OF MISSOURI AMERICAN WATER**

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## Assessing Infrastructure Risks

We consider several factors to determine the priority of our infrastructure investment decisions. These factors include:

- Regulatory requirements and compliance;
- Employee and public health and safety;
- Likelihood and potential consequences of an asset failure;
- Customer service improvement and maintenance; and
- Operating and maintenance efficiency and associated costs.

We use standardized risk-based prioritization models to categorize infrastructure investments across our systems. Although our aboveground and buried infrastructure require different approaches to risk assessment, we routinely evaluate our infrastructure based on capacity, condition, performance and the impacts of failure. For pipelines, we also consider additional factors, such as the age and material of pipe, distribution system pressure, soil conditions and water quality.

The America's Water Infrastructure Act (AWIA) of 2018 requires us to complete detailed risk and resiliency assessments (RRAs) and mitigation plans across all of our public water systems serving populations over 3,300. We use the guidance provided by the AWWA J100 standard to take an "all hazards" approach to identifying and mapping the key risks across our business. This approach incorporates various risk scenarios into our assessments, such as extreme weather and climate variability, source water contamination and malevolent threats. Climate variability is also an important part of our risk framework. For more details, please read the [Climate Variability](#) section of this report.

Through 2020, we completed RRAs for 71 of our water systems, covering 80% of our service areas. In 2021, we plan to conduct an additional 73 assessments for our smaller systems and our MSG and Contract Services Group (CSG) locations. In accordance with the AWIA, we will update our risk assessments every five years.

We also use our risk mapping tool to assign an overall risk rating to our facilities and critical infrastructure, helping us better understand our overall operations' risk. These risk ratings help inform our future infrastructure investment decisions and secure the proper level of maintenance for our assets.



## Enterprise Security Risk Management

As a company that provides water and wastewater services, the protection of our facilities, technology systems and customer and employee information is a top priority and focus. Our goals and focus of our program are:

- Safeguarding the cybersecurity of our operational technology and business systems;
- Safeguarding the physical security of our employees, facilities and assets;
- Maintaining compliance with security and data privacy regulations; and
- Providing support and leadership to our operations teams in emergency response and business continuity activities.

Our security team conducts regular internal security reviews and collaborates with the Department of Homeland Security on external security assessments. We use the results to develop improvement initiatives and further enhance security controls of company assets and systems. Central to our protection model is our advanced 24/7 Integrated Operations Center. The Integrated Operations Center monitors American Water's security and technology systems; continuously tracks weather alerts, security threats and intelligence; and serves as a key collaboration point for operations, leadership and functional teams.



## Emergency Response Plans

Each water and wastewater system (regulated and MSG/CSA) maintains an Emergency Response Plan (ERP) to help respond to a wide variety of potential emergencies, such as power outages or natural disasters. Our ERPs also address the potential impacts of increased climate variability and extreme weather due to climate change. In accordance with bioterrorism laws and for the safety and security of our water systems nationwide, these plans remain confidential.

We use a high-speed mass notification system, CodeRED, to keep our customers informed about any water-related emergencies, risks or threats that might occur. We notify our customers through automated phone calls, text messages and emails, and we provide alerts on our website with a map of the affected area. For more efficient and effective communication, we encourage our customers to confirm or update their contact information through our web self-service portal.

In 2019 and 2020, operations across the enterprise began updating their ERPs to utilize a more standardized approach based on EPA and Federal Emergency Management Agency guidance. The Physical Security and Preparedness team worked with our Operations teams across the business to conduct emergency response exercises, test and enhance ERPs and conduct on-site staff training to support proper execution of the ERPs, if needed.

In 2019, we conducted 45 drills at facilities across our service areas. In 2020, we increased our goal to conduct 60 exercises per year across our footprint. However, we suspended our emergency response drills for several months due to COVID-19. As a result, we were only able to conduct 14 virtual drills in 2020. Our goal for 2021 is to resume planning and facilitating exercises in person. However, until it is safe to do so, we will continue to host virtual exercises. As we identify new risks, we will incorporate new risk mitigation exercises into our emergency drills.





## HIGHLIGHT STORY

# AMI Metering Transforms Pocono District

Pennsylvania American Water's Pocono district was the first district in Pennsylvania American Water to pilot Advanced Metering Infrastructure (AMI) meters across their system. The district consists of approximately 4,500 homes, many of which lie vacant during the winter months while their seasonal residents are away. The harsh local winter conditions often caused frozen or burst pipes in unoccupied homes. These events not only caused damage for homeowners, but also adversely affected water supply and storage across the entire district. To mitigate this issue, the local Pennsylvania American Water team proposed the use of smart meters to track usage data with greater accuracy and frequency.

Consistent data collection allows for better tracking of changes in water use patterns, especially during the offseason. The Pocono service team analyzes the more detailed usage data from the AMI meters and engages

with customers to make them more aware of significant changes in water use patterns in an effort to identify potential leaks or burst pipes. Local team members say the positive impact on the district has been immense.

"The ease of transfer to the new AMI meters has been seamless," said George Smidhum, Senior Supervisor of Operations at the Pocono Water District. "We have gone from reactive to proactive with respect to identifying meter issues and correcting them before a route is read."

"From a customer service standpoint, it has totally transformed our interactions with the customer," said Smidhum. "We feel we are truly helping them out, the customers are grateful and our team's morale has improved."

## Infrastructure Digitalization

We utilize technology throughout our business to assess the overall condition of our infrastructure and monitor system performance. We deploy a variety of sensor technologies, both invasive and non-invasive, to help evaluate and monitor the integrity and performance of our infrastructure. We remain focused on the digitalization of our processes and equipment throughout our asset base and within our operations.

Through digitalization, we efficiently gather and leverage information to better understand our infrastructure and make proactive and effective investments. For example, acoustic monitoring equipment helps our teams identify and locate leaks in water distribution pipelines before they become potentially catastrophic breaks. We use hydraulic models of our pipeline networks in scenario planning to identify and address potential problems in our systems, such as inadequate pressures and reduced fire flows. We use thousands of sensors and instruments to monitor the condition and performance of equipment at our treatment plants. These instruments alert facility personnel of necessary operational adjustments, maintenance, rehabilitation or replacement.

AMI is another tool helping us achieve digital transformation. Also known as smart metering, AMI provides American Water with automated near real-time data on water usage and system conditions. Where deployed, our customers use AMI data to better understand their water use and make behavioral changes to improve their water efficiency. We also use this information to help us proactively identify leaks sooner, reducing water loss and potential system interruptions.

AMI data also provides our teams with live alerts such as high, low or no flow and other valuable insights into the condition and overall health of our infrastructure. As we increase our deployment of the technology, we will be able to use historical data collected through AMI to refine our hydraulic models and improve system efficiency and water quality.



## Integrated Data Management

As part of our digital transformation, we are in the process of transitioning to an integrated data management system, which will serve as our single source of key operations data going forward. This system will collect both historical and live data from AMI and other sources and will be accessible from a single platform. Consolidating our data to a single platform will provide standardized reporting across our operations, featuring customizable data dashboards populated with live data. Going forward, the platform will facilitate the use of data analytics to make robust data-driven decisions.





## HIGHLIGHT STORY

# New Jersey American Water START Program

In 2020, New Jersey American Water announced the Solutions Today and Reinvesting Tomorrow ([START](#)) program, which aims to accelerate capital investments in water and wastewater infrastructure while creating and sustaining thousands of jobs. Key components of the program include:

- **Water and Wastewater Infrastructure Investment Program (WWIIP):** A new proposal that would require regulatory or legislative approval, which would speed up capital investment in water and wastewater systems. WWIIP has the potential to generate \$100 to \$150 million in new capital investments and create 1,500–2,000 jobs.
- **Accelerate the Wastewater System Improvement Charge (WSIC):** Similar to Distribution System Improvement Charge (DSIC), WSIC instead covers wastewater collection system assets.
- **LSL Replacement Legislation:** This legislation, signed by the Governor in July 2021, addresses health and safety concerns related to LSL replacements by allowing water utilities to receive full cost recovery for the replacement

of the LSL (street to home) in addition to the company owned portion of the line. Replacing LSLs in conjunction with main replacements or relocations is cost-effective, efficient and a reasonable way to continue infrastructure renewal projects.

- **H<sub>2</sub>O/Affordability Programs:** Expands on New Jersey American Water's existing H<sub>2</sub>O and other water affordability programs by increasing eligibility and accessibility updated qualifications and requirements.
- **Expanded Supplier Diversity Programs:** New Jersey American Water will expand supplier diversity efforts by increasing its partnerships with diverse businesses in New Jersey.
- **Develop a New Workforce Employment Initiative (Apprentice Program):** Increase awareness of water and wastewater careers by working with the Governor's Office/Department of Labor and the NJ Council of County Vocational-Technical Schools.

For more information, please visit New Jersey American Water's [website](#).



## Economic Impact

Our capital infrastructure investments can generate significant economic benefits to local and regional economies; both directly through our initial spend on a capital project and indirectly through the broader economic effects of our infrastructure investments. Our ongoing operational and capital expenditures help generate these economic impacts on an annual basis.

We closely monitor the number of jobs created as a result of our capital expenditure. According to the U.S. Water Alliance, approximately \$1 million of infrastructure investment can create 15 high-paying local jobs. Based on our total five-year capital plan of approximately \$10.4 billion, we have the potential to create over 156,000 direct and indirect jobs in the communities we serve.

## Connecting With Customers

We recognize that while infrastructure investments are critical to long-term system reliability and quality service, projects can be disruptive to the communities in which we work. For example, projects involving buried infrastructure can impact road conditions and traffic patterns. Whenever possible, we try to coordinate with municipalities and other utilities to align our projects with the timing of other projects and programs. We also evaluate and grade every portion of pipe within our distribution so that we can package pipeline replacement into other projects and minimize disruption. As necessary, we conduct proactive stakeholder engagements, such as meetings or other communications, to provide local communities and residents with additional information about a project.

As part of our ongoing infrastructure investments, we continue to work with our customers to replace LSLs throughout our service areas. For more details on our LSL replacements, read the [Water Quality and Emerging Contaminants](#) section of this report.

## OUR PERFORMANCE

103-3, IF-WU-140a.1, IF-WU-450a.3

We measure our water infrastructure performance by measuring our water main replacement rate and the number of unplanned service disruptions. These indicators help inform decisions about future pipe replacement needs and support for regulatory mechanisms.

Despite increasing climate variability and frequency of extreme weather events, the number of unplanned service disruptions and main breaks per mile has steadily decreased since 2018. In 2019, we experienced 0.22 breaks per mile, a nearly 25% decrease from the previous year. In 2020, our main breaks per mile decreased an additional 10% down to 0.20 main breaks per mile.

In 2019, we replaced 0.75% of our water mains, equating to a replacement rate of 133 years and an improvement of more than 21% from the previous year. In 2020, the replacement rates remained consistent; we replaced 0.76% of our water mains, equating to a replacement rate of 135 years. Since 2015, our pipe renewal rate has averaged an approximate 145-year replacement cycle.

We have a long-term goal to achieve a 100-year pipe replacement cycle, compared to the current industry average of approximately 185 years.



# Climate Variability

## WHY IT MATTERS

103-1

Our ability to provide the safe and reliable delivery of water and wastewater services is inextricably linked to climate change. Over the past 20 years, the U.S. has seen significant increases in the intensity and frequency of extreme weather events including hurricanes and wildfires. In 2020 alone, a record number of hurricanes and the largest wildfires in recorded history produced \$95 billion in damages. These events and other climate change impacts, such as sea level rise and saltwater intrusion, have direct and devastating impacts on the communities we serve and test the resilience of our infrastructure.

Infrastructure may be particularly vulnerable to the effects of climate variability if it is aging, in poor condition or designed based on historical environmental conditions. Vulnerable infrastructure can lead to contamination or service disruptions for our customers. To avoid these negative impacts, American Water must leverage effective risk management and strategic planning to increase the resilience of infrastructure. When we invest in the resiliency of our systems, we are also investing in the communities we serve, which is essential to meeting our customers' needs and providing clean, safe and reliable water and wastewater services.



## OUR APPROACH

103-2

Our state utilities operate across different regions in the U.S., requiring us to account for variations in climate change impacts based on geography. For example, California American Water has undertaken significant risk mitigation and minimization approaches in response to increased wildfire intensity and frequency, whereas coastal communities are starting to feel the impacts of sea level rise. Other areas, like the Midwest, face risks of intense droughts that may affect water supply. When such issues arise, we implement our emergency management plans to effectively address climate-related issues, which often includes coordinating with local municipalities and emergency managers.

We integrate climate change into our Asset Investment Strategy to better prepare and protect our water and wastewater utility infrastructure for the future. We utilize historical data, available climate modeling tools and expert reports to predict and manage our expected climate change risks and impacts. We pay particular attention to groundwater supply depletion from climate-related impacts and work to identify any aquifer impacts as early as possible. Our groundwater models assist our monitoring efforts so that our withdrawals match aquifer recharge rates. We also focus on community resilience to extreme weather events while sharing our findings and best practices with the industry.

Adapting our systems to be more resilient in the face of increased climate volatility enables us to protect the viability, integrity and resiliency of water supplies and infrastructure around the country. As the risks associated with our changing climate increase, we continue to evolve our approach to identify solutions that improve our management of related risks for the communities we serve.

### DOWNLOADS

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[Utility Resiliency Index One-Pager](#)

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## HIGHLIGHT STORY

# California American Water's Wildfire Preparedness

Preparedness is key to maintaining operations during any natural disaster. Following a string of devastating fires in recent years, California American Water has been working with American Water to safeguard worksites and water infrastructure against future wildfire risks. This includes developing evacuation plans for employees and their families, as well as clearing out overgrown grass and vegetation that could serve as fire fuel on company properties. American Water also helped to provide all districts within the state with the needed technology and tools to continue to operate during natural disasters, including back-up power and secure communication channels.

The ability to administer uninterrupted operations during natural disasters does not happen by accident, and we applaud California American Water's planning and preparation to increase the resilience of its operations from wildfires and other risks.





## Policies

Our Capital Program Management Policy is our primary practice that guides our infrastructure investments. The practices under this policy require us to assess specific risks from climate change and implement appropriate mitigation and adaptation strategies within the comprehensive asset planning process. For example, we use different climate-related baselines, such as 500-year flood elevation, when designing new facilities and infrastructure.

In 2020 and 2021, we updated our Capital Program Management Policy and supporting practices. As part of these updates, American Water is integrating a software system to track and manage our capital investment projects. This new software will help standardize and improve our capital management programs and reporting across the entire business. For more details on recent updates to our Capital Program Management Policy, please refer to the [Water Infrastructure](#) section of this report.

We also adopted a new Well Testing Practice in 2020 to standardize our testing and data collection efforts. The new practice outlines our approach to periodic testing and maintenance, and creates an optimized maintenance schedule for each well in our system. Going forward, the Well Testing Practice will help improve and expand conservation and efficiency measures to preserve sustainable well yields and improve well efficiency over time.

## Governance

Our Chief Operational Excellence and Safety Officer, along with our Chief Environmental Officer, who both report to our COO, have ultimate accountability for American Water's approach to adaptation and mitigation strategies associated with climate change. Climate change is a global issue with local implications; therefore, our state Presidents also hold responsibility for our performance.

Our Board of Directors' Safety, Environmental, Technology and Operations Committee receives, reviews and discusses with executive management quarterly briefings on risks from natural hazards, such as drought and loss of supply due to extreme weather events and natural disasters. The Safety, Environmental, Technology and Operations Committee monitors and reviews operational risk exposure, mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency and contingency plans. This includes climate-related risks such as more frequent extreme weather events and increased severity of natural disasters, and the resulting resiliency investments and efforts. Operational risks cascade up from the company's management and its Enterprise Risk Management Committee to the Audit, Finance and Risk Committee and the Board.

For more information on American Water's climate change governance and mitigation efforts, please refer to [American Water's TCFD index](#) and [CDP responses](#).



## Planning for Climate Impacts

American Water reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, American Water will use this information in our CPS and Master Plans, which assess the climate risk and resiliency of our water and wastewater systems over short, medium and long-term time horizons (0–25+ years). Our CPS process enables us to evaluate and predict how water supplies, water quality and water demands may change over time. We also consider how increasing intensity and frequency of extreme weather events may affect our infrastructure and assets, which helps determine any updates or changes to our design standards. We enhanced our CPS process in 2019 to include RRAs, which will be updated on a five-year cycle.

We also assess our resilience and preparedness through the URI, which calculates a utility's ability to respond to and recover from the impacts of extreme weather, environmental incidents, cyberattacks, supply chain disruptions and other extreme events that would disrupt our services. For example, extreme weather events can lead to power outages that disrupt operations at our facilities. As part of our facility RRAs, we evaluate the amount of self-generating power capacity at our facilities and increase that capacity where needed. We utilize emergency generators and solar panels throughout our operations. These power redundancy measures help our most critical facilities operate on self-generated power for an extended period, if needed.

## Adaptation

When we build new facilities and upgrade existing ones, we consider how climate change may affect the surrounding area, including rising sea levels and changing floodplains, among other factors. We design for critical equipment to be placed well above expected flood levels to mitigate the risk of interruptions amidst more frequent and intense weather events. Our design criteria often go beyond existing regulations and guidance in our service areas, with many designs setting the example of industry best practice.

Extreme weather also has the potential to damage other critical infrastructure such as pipes and pumps, which can lead to water or wastewater leaks and spills. To help address this risk, American Water has a program to evaluate and inspect critical pipeline crossings of railroads, highways, rivers and streams, which are often vulnerable to extreme weather events. Through these evaluations, we can identify ways to improve our asset management, reduce potential future outages and minimize operational impacts.

We also recognize that development activities can augment the impacts of climate change on our communities. When land is developed, water-resistant surfaces like sidewalks or parking lots generate more runoff, leading to increased risk of flooding and potential contaminants in water supplies. We advocate for responsible state and local planning and zoning policies that also prioritize the protection of water supplies. For more information about the policies that we support, please see [Policy Influence](#).

Maintaining a continual state of readiness throughout our systems is critical to addressing the challenges associated with climate change impacts on our services. Climate change remains a key input in our water usage models and mitigation strategies that we use to reliably serve communities. We commit approximately \$1.6 billion annually to capital investment, 8% of which is dedicated to increasing the resiliency of our assets. This may include upgrades and renewals of treatment plants, distribution and transmission pipes, pumping stations and other essential facilities.





## HIGHLIGHT STORY

# New Jersey American Water Climate Impact Assessment

In 2020, we completed a climate impact study for one of our coastal treatment facilities in New Jersey that has been historically susceptible to minor flooding. Using light detecting and ranging topographic data, we created a GIS-based map of the facility. We then overlaid flood mapping data from the Federal Emergency Management Agency to perform a sea level rise impact assessment. We then compared this to other inundation mapping layers from the National Oceanic and Atmospheric Administration to understand the extent of our flood risk under different scenarios, such as hurricane intensities and various time horizons. We also leveraged storm surge data from the National Weather Service Sea, Lake and Overland Surges from Hurricanes model.

The climate modeling that we used in this impact study helped us determine what resilience measures would be needed to guard against forecasted flooding impacts over the next several decades. We intend to use the information from this study to inform our design criteria and improve the functionality of similar American Water facilities.



## OUR PERFORMANCE

103-3, IF-WU-450a.1

We regularly assess climate variability impacts on our most critical assets as part of our long-term capital planning, including the risks of equipment damage because of flooding. Inflow and infiltration can have a significant impact on wastewater collection systems, leading to overflows and challenges at the treatment plant. We conduct flow monitoring, hydraulic modeling, closed circuit television inspection (CCTV) and other inspections to identify sources of inflow and infiltration within our biosolid collection systems. The results of these assessments help us make recommendations that reduce inflow and infiltration, strengthen the resilience of our systems and infrastructure and improve service delivery for our customers.

We respond to the [CDP Climate Change questionnaire](#) annually and disclose the material financial implications, risks and opportunities of climate change on our business. We also include this information in our [Annual Report](#).

SASB Code	Metric	2018	2019	2020
IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones (cubic meters per day)	110,248	117,775	117,775
	Total systems	173	191	202
	Existing systems	146	163	160
	Systems without any EOP exceedances <sup>[1]</sup>	72%	71%	68%
	Systems without any SSOs <sup>[1]</sup>	73%	80%	74%
	Number of EOP exceedances	162	226	196
	Number of SSOs	127	87	118
	New systems/systems with consent orders	27	28	42
	Number of End of Pipe (EOP) exceedances	47	73	184
	Number of Sanitary Sewer Overflows (SSO)	30	33	106

<sup>1</sup> Calculation excludes new systems acquired and systems operating under consent order.



## HIGHLIGHT STORY

# FM Global

We are working in partnership with our property insurance carrier, FM Global, to achieve the mutual goal of improving American Water's risk profile by protecting our assets and reducing our total cost of risk. We are conducting facility inspections throughout our operations, many of which have resulted in several recommendations to make capital and operational improvements that lower our risk profile. FM Global is also assisting our effort to update our climate strategy by reviewing flood exposure throughout our facilities and helping to develop flood-specific emergency response plans.

The facility inspection process provides an inventory of prioritized capital recommendations, which we incorporate into annual and long-term capital planning programs. In 2020, we began developing flood response plans for approximately 20 of our highest-risk facilities. We aim to implement site-specific plans at each of these locations by the end of 2021.



# Water Supply Resilience

## WHY IT MATTERS

103-1

Water is an essential resource to the communities we serve, and as a finite resource, we must manage water supplies in a manner that is sustainable and safeguards the long-term needs of our customers. Climate change could have significant and negative impacts on our business and our customers by affecting the availability of water supply. As concern for climate change impacts grows, we want to inform and educate our stakeholders about our actions to protect water supplies and maintain access to safe and reliable water now and in the future.

### DOWNLOADS

[Utility Resiliency Index One-Pager](#)



[Rachio Smart Sprinkler Controller Discount](#)



## OUR APPROACH

103-2, IF-WU-440a.3

Our ability to deliver water to our customers in a safe and reliable manner depends on our efforts to protect drinking water at the source. When selecting our water supplies, we consider the source's ability to meet the anticipated long-term needs of our customers. We can identify and mitigate the impacts of potential future threats to our existing sources of supply through RRAs that inform our operational approach and potential need for capital investment. Our goal is effective mitigation of any potential risks and maintenance of sufficient, high-quality water supplies for our customers.

## Governance

Our Chief Operational Excellence and Safety Officer and COO have joint responsibility for water supply resilience. Because water supply resilience is an inherently local issue, our state Presidents, engineering and operations leaders are also responsible for managing water supply resilience.

The Safety, Environmental, Technology and Operations Committee of the Board of Directors receives quarterly reports concerning the risks that natural hazards pose on our business, including supply disruptions from droughts, hurricanes, earthquakes or storms.

## Water Availability

Population growth and greater demand for water supplies has led to increased strains on water supplies. According to the EPA, at least 40 states anticipate water shortages by 2024, underscoring the need for efficient water use. To safeguard our long-term water supply, we leverage technology to analyze our impacts on source water supply and identify future water supply needs.





In water stressed areas in particular, securing and maintaining an adequate water supply is one of our greatest challenges. It is our responsibility as the largest water and wastewater services provider to deliver safe and reliable, service to all our customers, regardless of geographic location. We define water stressed areas as systems or specific supply points of entry that have been affected by water rights reductions or water availability due to saltwater intrusion threat and/or drought limitations, such that alternative supplies have been or will need to be developed in the short-term. This predominantly applies our service footprint in California, New York, New Jersey's coastal regions and western Missouri.

We leverage technology, innovation and consumer education to address the challenges of maintaining limited water supplies. Conservation is a key focus across American Water's service footprint. For example, Long Island, New York faces saltwater intrusion resulting in water availability challenges. The New York State Department of Environmental Conservation has set a goal for all Long Island water suppliers to reduce their peak season water demand by 15% by 2021 to help protect the long-term sustainability of Long Island's sole source aquifer. To meet this goal, New York American Water's H<sub>2</sub>O Control Conservation Program provides customers with tips, tools and technologies to empower them to understand and improve their water usage to be more efficient, resulting in cost reductions and water conservation. These tools are packaged as the H<sub>2</sub>O Control Toolbox, which includes a four-tier conservation rate, smart irrigation technology discounts and indoor water savings retrofit kits. We also direct customers to our Water Use Calculator, the MyWater customer portal and available mid-cycle water usage alerts. This program helps reduce demand on stressed aquifers that are the main supply of water for Long Island. Through 2020 New York American Water's H<sub>2</sub>O Control Conservation Program has helped reduce peak season demand by 8.2% compared to a 2012 baseline. Additionally, California American Water's leading conservation program includes dedicated conservation staff members in every service area, who are trained in leak detection, efficient water irrigation, high bill resolution, meter data logs and water efficient and climate appropriate landscaping. For more information about water use efficiency and conservation, please see [Water Use & Efficiency](#).



American Water is also committed to continual infrastructure investments. For example, we constructed a new booster pump station in Sacramento, CA to interconnect California American Water's Arden system and the City of Sacramento's water system to permit conjunctive use of potable water supplies in the area. This investment provides in excess of 2,500 gallons per minute and solves a water supply deficit for maximum day demand while also improving service to our customers.

Another example of long-term planning to help maintain adequate water supply is evident in California American Water's Monterey Peninsula Water Supply Project. This project includes the construction of a desalination plant and the construction of wells that would supply water to the desalination plant. The Monterey Peninsula Water Supply Project, which has spanned multiple decades since its original inception, intends to fulfill the requirement to significantly decrease yearly diversions of water from the Carmel River as required under orders of the California State Water Resources Control Board. By increasing the water supply to the Monterey Peninsula without affecting marine and other wildlife, we are able to indirectly boost economic development opportunities and strengthen the resiliency of the area.



## HIGHLIGHT STORY

# Mt. Soma Reservoir in Bel Air, Maryland

In 2019, Maryland American Water completed the Mt. Soma reservoir as a long-term, sustainable solution for Bel Air, Maryland's water supply, helping to mitigate the risk of drought for over 14,000 residents. The reservoir eliminates the town's dependence on neighboring Harford County for back-up water supply and enables Bel Air to be independent and self-sustaining. Maryland American Water had previously supported Bel Air customers through periods of low water supply by purchasing water from Harford County.

The Mt. Soma reservoir is a model for meeting the water supply needs of a community through innovation and sustainable design. The reservoir's design includes a bituminous geomembrane liner to keep the stored water from leaking into the earth. The liner can also withstand stress and weather fluctuations, including extreme heat and freezing temperatures. Our use of a bituminous geomembrane liner is only the second instance that a water supply reservoir in the U.S. has utilized this technology, and the first implementation on the East Coast. American Water's commitment to innovation is opening the door for new opportunities in water storage reservoir design across the country.

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“The reservoir secures a life-sustaining resource for the Bel Air community for many decades and generations to come. Not only is the reservoir a reliable and environmentally sound solution for Bel Air, but this investment is critical to the public's health and safety.”

**BARRY SUITS, PRESIDENT,  
MARYLAND AMERICAN WATER**

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## Partnerships To Protect Watersheds

Throughout the communities we serve, we partner with local entities, including river basin commissions and community groups, to help protect watersheds. Our environmental grant program provides funding to local groups for different watershed projects and initiatives that promote protection, conservation and education. Our partnerships and other engagements with local stakeholders can also help provide early warnings of impacts to water supplies, including contamination.

At the national level, we also work with several organizations that work to promote water supply resilience through legislation, industry collaborations and research.

## OUR PERFORMANCE

103-3

We measure the effectiveness of our water supply management by tracking indicators for water withdrawals, usage trends, water losses and allocation compliance. This data helps us to better understand our water usage, consumption and best practices to strengthen our resiliency.

In 2021, we announced a new goal under which we will increase our water system resiliency to respond to more extreme events, measured as a 10% increase in the URI by 2030 (from a 2020 weighted average baseline). The URI is part of the AWWA J100 standard and assesses a community's ability to absorb and cope with an incident and return to normal operations as quickly as possible. The URI grades on a numeric scale from 0–100, with 60–70 identified as relatively resilient. In 2020, we baselined our facilities with an average grade of approximately 66. To learn more about our environmental goals, please visit our [website](#).

American Water has already begun to identify areas for investment in line with this climate variability/water supply resilience goal, including additional training and education for our employees, updating and enhancing emergency plans, maintaining an inventory of critical parts and increasing emergency power capacity and available water storage. We will also implement and expand current programs, such as emergency response exercises and participation in utility community cooperatives such as WARN.

To supplement our new goal, we are also working on other ways to measure water supply resilience performance. For example we began tracking water stress in all of our water systems. We will be moving our reporting to MapCall to allow us to streamline our data into one location, eliminating our former reliance on multiple data locations to manage our operations. By using MapCall, we can more efficiently track and measure our performance across a number of key performance indicators.

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In 2021, we announced a new goal under which we will increase our water system resiliency to respond to more extreme events, measured as a 10% increase in the URI by 2030 (from a 2020 weighted average baseline).

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#### HIGHLIGHT STORY

## La Vista Creek Watershed Restoration

As part of our commitment to upgrade and protect local wastewater system infrastructure, Illinois American Water plans to invest \$750,000 to upgrade the wastewater infrastructure in Godfrey, Illinois. The project will replace two sections of a 24-inch wastewater effluent main, protect an existing wastewater force main and enhance the area surrounding the La Vista Creek. The project also includes efforts to protect La Vista Creek against erosion, including the installation of natural limestone, large stones and riprap in areas prone to stream bank erosion, and riffle structures to help naturalize stream flow and prevent erosion of the channel bed. The project is expected to be completed by mid-2021.

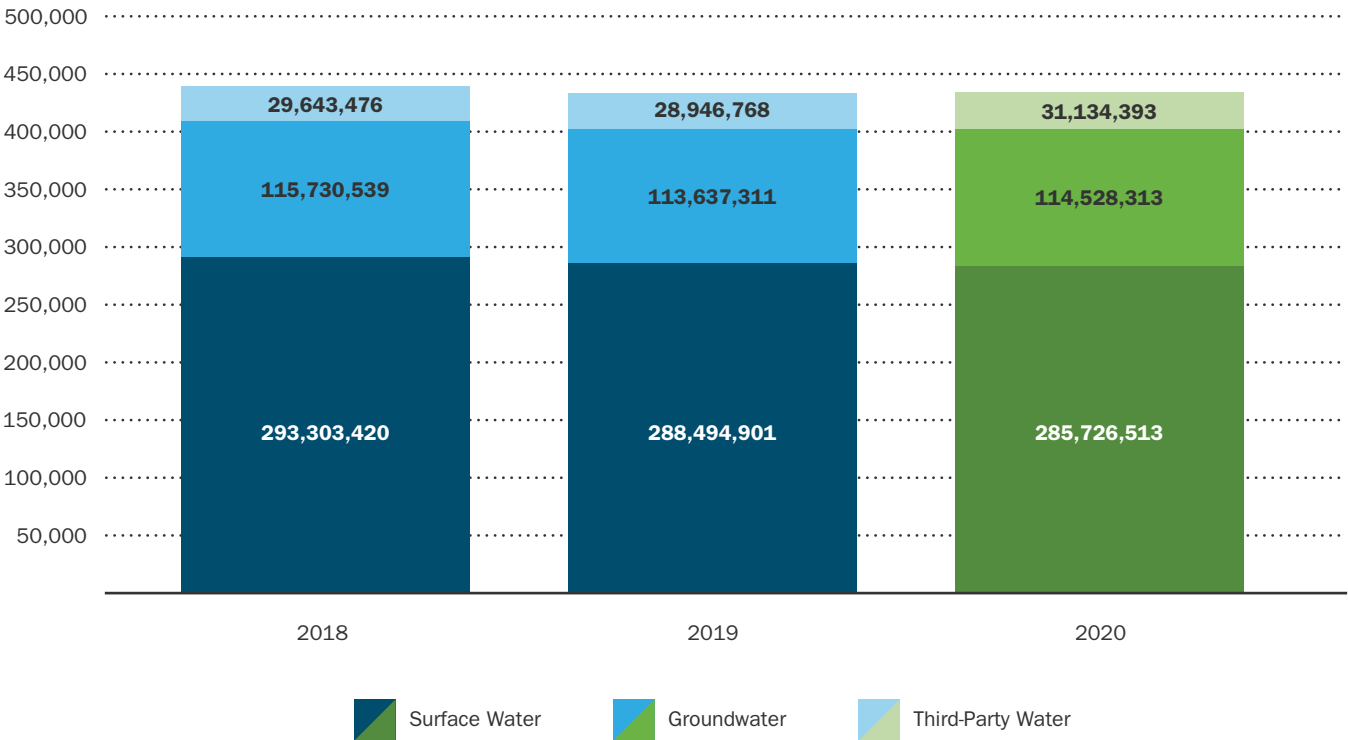
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“Whenever possible, Illinois American Water incorporates green infrastructure and practices into our operations and capital investments. The La Vista Creek project focuses on protecting the environment and enhancing the beauty of La Vista Creek, La Vista Trail and the Village of Godfrey, while supporting reliable service.”

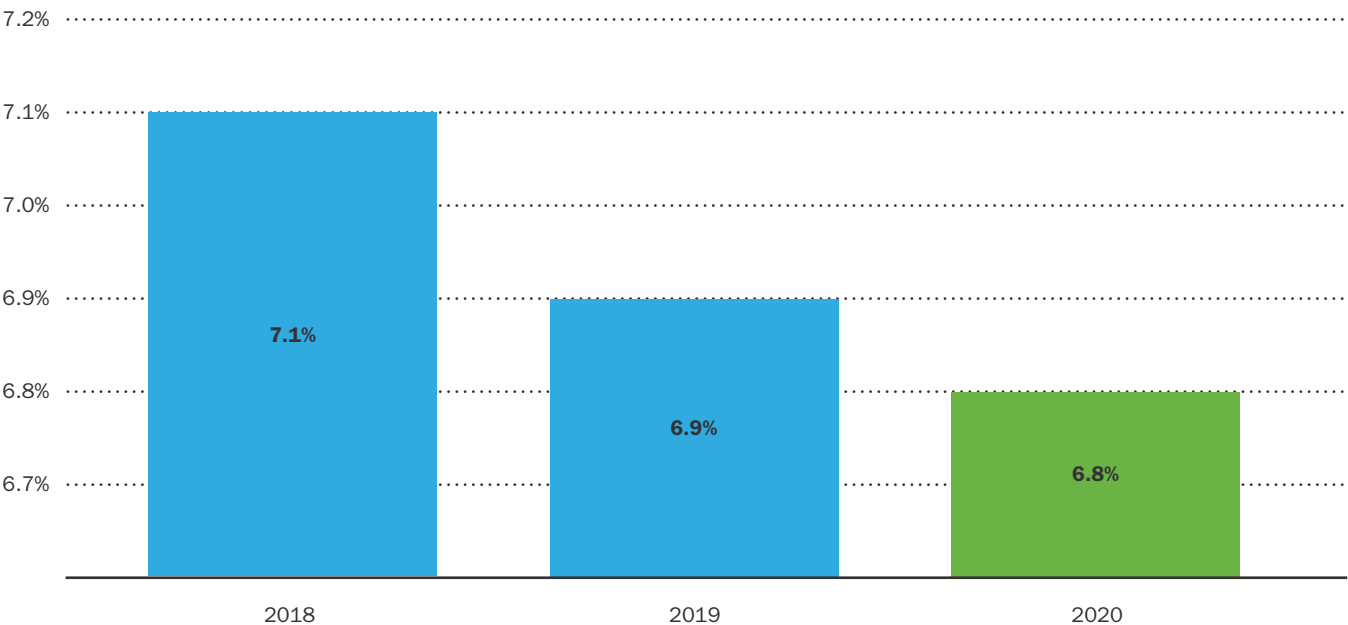
**RIC COOPER, SENIOR DESIGN ENGINEER**

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# Water Withdrawal (Kgal)<sup>[1]</sup>



# Percentage of Water Sourced From Water Stressed Regions<sup>[2]</sup>



<sup>1</sup> System Delivery (by point of entry) is being used for “withdrawals.”

<sup>2</sup> Water stressed areas include: New Jersey American Water system points of entry within Critical Areas 1 and 2, Monterey, California (active conservation program in accordance with California best management practices), Long Island, New York (New York State Department of Environmental Conservation has set a goal for all Long Island water suppliers to reduce their peak demand water use by 15% by 2021) and Joplin, Missouri (reservoir supply needed for drought).



# ENVIRONMENTAL STEWARDSHIP

Water Use & Efficiency →

Energy & Emissions →







# Water Use & Efficiency

## WHY IT MATTERS

103-1

Water use and efficiency is a critical component of our operations and is important to our customers. By increasing water efficiency, we can realize such benefits as reductions in operating costs, energy consumption and source water preservation. Water Efficiency is a solution for an array of water industry problems including customer conservation, resiliency, rates and regulatory affairs, among others.

In our own operations, our greatest opportunities to increase efficiency include optimizing our own water use, minimizing water loss through prevention of leaks and breaks and maintaining infrastructure. We also work with our customers through education, tools and technology to empower individuals to make their water use more efficient and sustainable.

### DOWNLOADS

[Environmental Policy](#)



## OUR APPROACH

103-2

### Policies

American Water's Environmental Policy helps incorporate environmental leadership across the organization. The policy guides our commitment to compliance with relevant environmental laws, regulations and standards, sustaining the environment through responsible business practices and using natural resources, including energy, effectively and efficiently. We regularly review and update our Environmental Policy, as necessary. We most recently updated our Environmental Policy in 2021.

In 2020, we updated our Non-Revenue Water and Water Loss Reporting Practice, which helps us standardize the quality and consistency of our Non-Revenue Water reporting. We designate total water losses and any unbilled consumption within our distribution system as Non-Revenue Water. Using a standardized and efficient methodology to report Non-Revenue Water is not only important for identifying and minimizing water loss, but is also critical for budgeting, managing the needs of our customers, tracking our business growth and planning our future capacity. The practice also recommends annual water audits for our state subsidiaries, the results of which we can use to identify and prioritize investments that prevent and mitigate water loss.

## Supplier Environmental Expectations

When selecting vendors to conduct business with, we will consider their environmental stewardship policies, practices and programs in our selection. We strongly encourage our vendors to:

- Comply with local, state and federal government environmental regulations;
- Focus on a strong safety culture and safety management programs;
- Have an Environmental Policy or similar commitment focused on sustaining the environment through responsible business practices;
- Promote environmental stewardship in business operations, business offerings and investments;
- Invest in the community; and
- Show they have adopted other environmentally sustainable practices.

Our Supplier Code of Conduct outlines additional environmental standards and guidance for our suppliers to follow. American Water also implemented our Supplier Management Practice in 2020, which guides our new and existing supplier relationships to align with our values of safety, trust, high performance and environmental leadership. As part of this practice, we conducted a benchmark assessment of suppliers' sustainability risks, programs and performance in the following areas:

- Sustainability certifications
- Sustainability policies
- Circular economy
- Carbon offset programs
- Energy savings programs
- Water savings programs

We will use the results of this assessment to guide our supplier sustainability strategy and management moving forward.

## Governance

Our Chief Environmental Officer is responsible for American Water's environmental performance. Our Chief Operational Excellence and Safety Officer oversees water use and efficiency performance through the Engineering and Operations group. At least quarterly, the COO and Safety, Environmental, Technology and Operations committee receive a performance update on water use and efficiency. The Safety, Environmental, Technology and Operations Committee also monitors and reviews environmental policies, practices and strategies, including environmental stewardship, water conservation and regulatory compliance.

We recognize that as a core value of our business, we must practice environmental stewardship at all levels of the organization. American Water has a Water Efficiency Committee that works across our business to collaborate on water efficiency efforts and best management practices. We also use our O&M efficiency target to link employee incentive compensation, including our union-represented employees, in part to the efficient use of natural resources. Improving water efficiency helps us to reduce our own operating expenses and allocate more resources towards capital investments that benefit our customers.







#### HIGHLIGHT STORY

## Acoustic Monitoring & Leak Detection Devices

Monitoring sensors help us proactively determine, evaluate and pinpoint possible leak locations. We place advanced acoustic monitors throughout our distribution systems, including transmission mains, to listen for the presence of leaks by capturing the speed at which sound travels through a pipe. When our teams detect any peak in the sound, we can identify the point of interest.

In 2016, New Jersey American Water began a program to automatically monitor for water pipe leakage in multiple water networks. Automatic leak monitoring systems can increase water security, improve water service and save money. The system includes a monitoring device, installed directly onto a standard fire hydrant cap, which collects sound data from the hydrant for leak detection analysis. After the data is processed, leak alerts are sent to American Water teams to investigate the leak and if necessary, begin the process of repairing the leak.

In October 2020, this technology alerted our teams at New Jersey American Water to a small, consistent peak in sound on a major 66-inch transmission main, a line that services a large number of customers in the South Jersey Tri-County area. After placing the loggers on nearby valves, our internal leak detection team implemented an overnight survey recording the sounds traveling through the pipe. Software received the recording and provided the team with the location of the leak by measuring the distance from those loggers.

By proactively identifying the leak, New Jersey American Water was able to identify, isolate and repair the leak with no impact to customer service. Being able to proactively identify leak points and plan repairs decreases the number of main breaks and service outages while also saving costs.





## HIGHLIGHT STORY

# Zero-Discharge Hydrant Flushing Technology

We recently enhanced our water efficiency and conservation efforts using a zero-discharge hydrant flushing system at certain American Water operations. This technology allows American Water to flush potable water distribution mains while conserving more water than conventional flushing, leading to improvements in water quality and diagnostic capabilities, as well as reductions in water waste and energy conservation.

On average, one zero-discharge unit can flush one mile of main per day and 100% of an average (population of 40,000–60,000) city's water mains per year. A city with a population of 100,000 and one zero-discharge hydrant flushing unit could flush 50% of its distribution system each year, which would still yield enough savings through the reduction of water loss to pay for itself in approximately five years.



## Technology & Efficiency

103-2

Technology is an important tool that helps improve our water efficiency. For example, advanced metering systems and remotely operated sensors allow us to monitor vulnerable infrastructure for water breaks and/or leaks and assess the condition of our pipeline to prioritize replacements for pipes at high risk of failure. From 2015–2020, we replaced an average of approximately 340 miles of pipe annually, helping us to minimize water leakage and keep our water loss to a practical minimum. From 2021–2025, we anticipate an increase in pipe replacement to approximately 450 miles per year.

Additional technologies improve our ability to monitor our distribution system, prevent and mitigate water loss and provide industry-leading service for our customers.



- **Continuous Acoustic Monitoring of Water Mains via Hydrants:** We place leak detection sensors throughout our distribution system to record the sound patterns in our infrastructure. Our trained staff analyze the recorded sounds and patterns to detect smaller leaks before they are visible above ground as larger leaks.
- **Satellite and Sensor Technologies:** We use satellite imagery that has algorithms to detect signatures of subsurface chemically treated water. Drones and other sensors can leverage infrared and spectral technology to detect leaks. We also use electronic sensors, such as in-pipe drones or probes, to identify cracks, deterioration or other weaknesses in a pipe.
- **Improved Pressure Control:** Pressure fluctuations within pipelines can lead to increased stress, and potentially leaks or breaks when not properly managed. By improving our pressure control systems, we can optimize pumping efficiency and prevent unnecessary stress on our infrastructure.
- **Smart Distribution Systems:** We can minimize water loss and improve water quality throughout our distribution system by installing automated flushing devices that optimize the frequency and duration of flushing.
- **AMI:** AMI provides our teams and our customers with real-time water usage data to proactively identify leaks or understand opportunities for water efficiency.
- **Zero-Discharge:** Through innovative and efficient practices at our surface water plants, most of our large plants and all of our newer plants, recycle water used for filter backwashing and other plant operations.

Additional technologies improve our ability to monitor our distribution system, prevent and mitigate water loss and provide industry-leading service for our customers.



## HIGHLIGHT STORY

# California American Water: Water Conservation Programs

California jurisdictions have realized significant water savings through conservation and efficiency efforts. California American Water's leading conservation program includes dedicated conservation staff members in every service area who are trained in leak detection, efficient water irrigation, high bill resolution and meter data logs.

The California American Water Coastal Division also provides a robust set of water conservation programs and activities on an annual basis to incentivize customer conservation. The conservation rebate program is one of the most generous incentives for indoor and outdoor water efficiency upgrades for both residential and non-residential customers in the state.

The following are programs funded by the Conservation Surcharge and implemented by California American Water:

- **Residential Water Audits:** California American Water employees conduct Residential Water Wise House Calls to promote conservation program participation for customers with high water bills.
- **Residential Plumbing Retrofits:** California American Water provides high efficiency conservation devices and conservation kits to residential customers in the Monterey service area with a larger focus on the hospitality industry such as hotels and motels to convert to high efficiency bathroom aerators.

Additional low flow fixture giveaways include showerheads, kitchen faucet aerators and bathroom aerators.

- **Rain Sensor Installation Program:** California American Water provides free direct installation of rain sensors to residential and multi residential properties through its contractor, EcoTech.
- **Large Landscape Upgrade Grant Program:** The funding is to offer assistance to large landscape customers including cities, schools and parks to upgrade current landscape and irrigation systems to increase water efficiency and to help cover the expenses for equipment, materials and/or installation.
- **Public Outreach and Marketing Campaign:** California American Water promotes public awareness of water conservation and participates in various programs throughout the year.
- **Outreach and Education Seminars & Programs:** California American Water partners with local Water Awareness Committees (WAC) to offer Landscape Irrigation Workshops, create conservation booklets and offer in-class presentations.
- **Zun Zun Performances and WAC Activities:** California American Water and WAC offer school presentations by the local Zun Zun performance group, covering topics such as the water cycle, watershed, indoor conservation and conservation tips, including information about fixing leaks.



- **CII Rate Best Management Practice (BMP)**  
**Survey Inspections:** Based on the California rate structure non-residential customers are required to complete a survey to determine their appropriate rate category. California American Water, in partnership with the Monterey Peninsula Water Management District, inspect non-residential properties to determine the proper rate category.
- Customers confirmed to be out of compliance with the indoor and/or outdoor requirements will have 30 days to make necessary corrections to avoid a potential change in rate classification. CAW conservation staff contacts these customers 30 days after the inspection to verify compliance.

If the customer remains non-compliant, the classification changes to the non-compliant rate until necessary corrections have been made. We require customers to provide proof of corrections by providing a receipt to CAW and/or verification for indoor compliancy by the MPWMD.

- **CII Water Audits:** California American Water provides commercial, institutional and industrial audits to non-residential customers utilizing experienced contracted consultants.

For more on California American Water's Conservation Programs please refer to the [2019 California American Water's Monterey Peninsula Water Conservation Program Annual Report](#).

## Customer Conservation & Efficiency

We encourage our customers to learn more about their water use and implement practices that promote conservation and efficiency. When these practices are implemented, customers often lower their own service costs while recognizing the environmental benefits of water conservation and efficiency. We engage with our customers online, over the phone, by mail and in person to provide the tools and resources they need to manage their water more efficiently. We also serve as a promotional partner of the EPA's WaterSense Program to increase awareness about water conservation and efficiency. We offer giveaways and rebates for WaterSense labeled products, as well as a wide variety of other tools such as rain barrels, leak detection kits and smart home monitoring in order to promote sustainable customer behavior. In 2019 and 2020, we distributed over 43,000 giveaways and rebates to help our customers use water more efficiently.

Additional customer conservation and efficiency initiatives include:

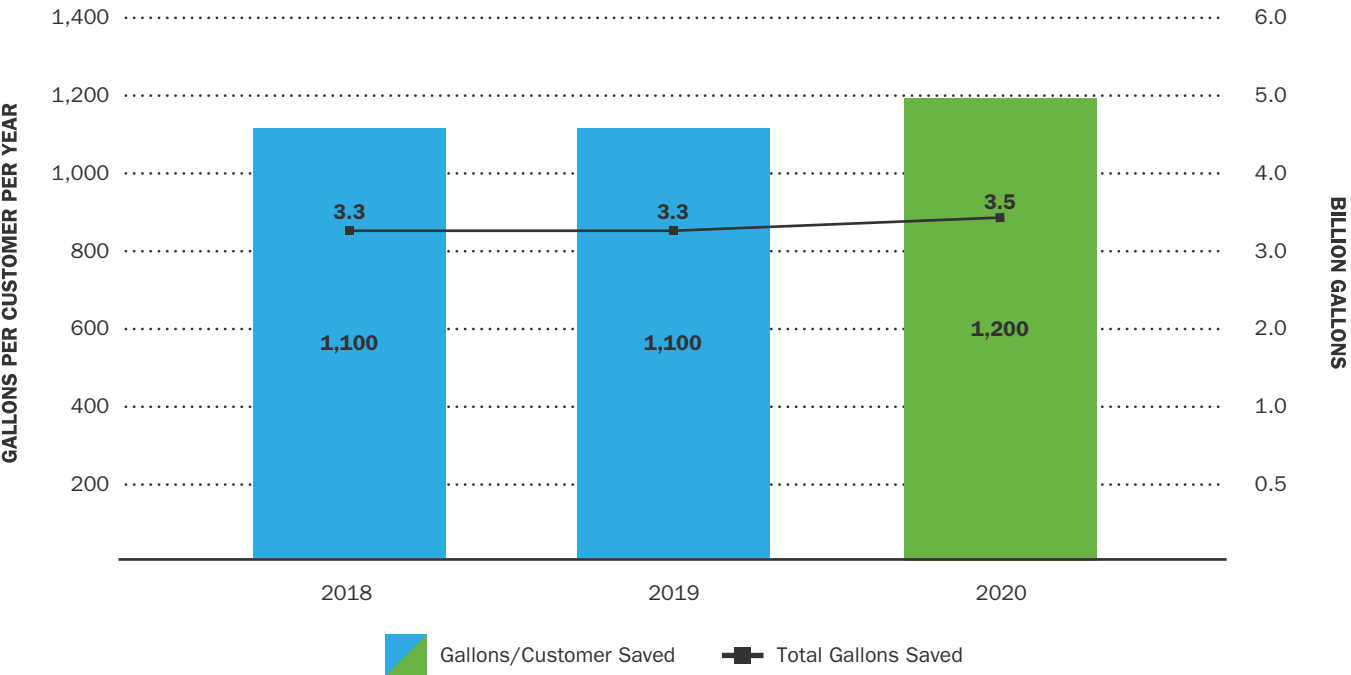
- [Water Use Calculator](#);
- Tiered-rate structures;
- High-efficiency fixtures and rebate programs;

- Leak detection kits;
- Water-saving tips on our websites and in social media;
- Educational resources and events for customers;
- Partnerships with the EPA Water Sense, AWWA, Water Research Foundation, Alliance for Water Efficiency and other organizations;
- Events such as Fix-A-Leak Week;
- Alliance for Water Efficiency membership, which offers progressive research support, educational information and tools for the utility and customers;
- Conservation surveys at customer homes; and
- Rebate and incentive programs for indoor and outdoor efficiency upgrades.

Conservation and efficiency measures, including AMI implementation, have enabled our residential customers to save on average approximately 1,100 gallons per customer per year, or 3.4 billion gallons annually since 2016. For more information about our efforts to lower water costs for our customers, please refer to [Water Access & Affordability](#).

# Residential Customer Water Savings

IF-WU-420a.2



## AMI Implementation

AMI provides our teams and our customers with greater visibility into water usage, therefore allowing us to better serve our customers in real time. Currently, AMI is installed in approximately 15% of our portfolio and we are working to increase AMI implementation and realize greater water savings and reduced costs for our customers.

The AMI network, which enables the automated collection of meter read data, is a combination of RF based or Cellular based devices attached directly to the meter. AMI data is transmitted to a vendor specific cloud platform, where it can be sent to American Water for billing and service-related tasks.

Meter reads are transmitted at regular increments, at least hourly and available in 15-minute increments, allowing for quicker identification of inconsistent usage and follow-up of meter alerts. All of the collected data is secure and integrated into applications that tracks customer-metering data, billing and customers' MyWater accounts.

As we continue to increase the number of customers with AMI metering, we can leverage this technology across our business to:

- Proactively notify customers of potential leaks;
- Turn water services on and off from our offices (and reduce vehicle mileage);
- Assist customers with high bill inquiries from our offices;
- Respond with more detail to customer usage requests;
- Improve customer experience and usage;
- Improve accuracy of meter reading;
- Encourage water conservation; and
- Increase safety of employees.

HIGHLIGHT STORY

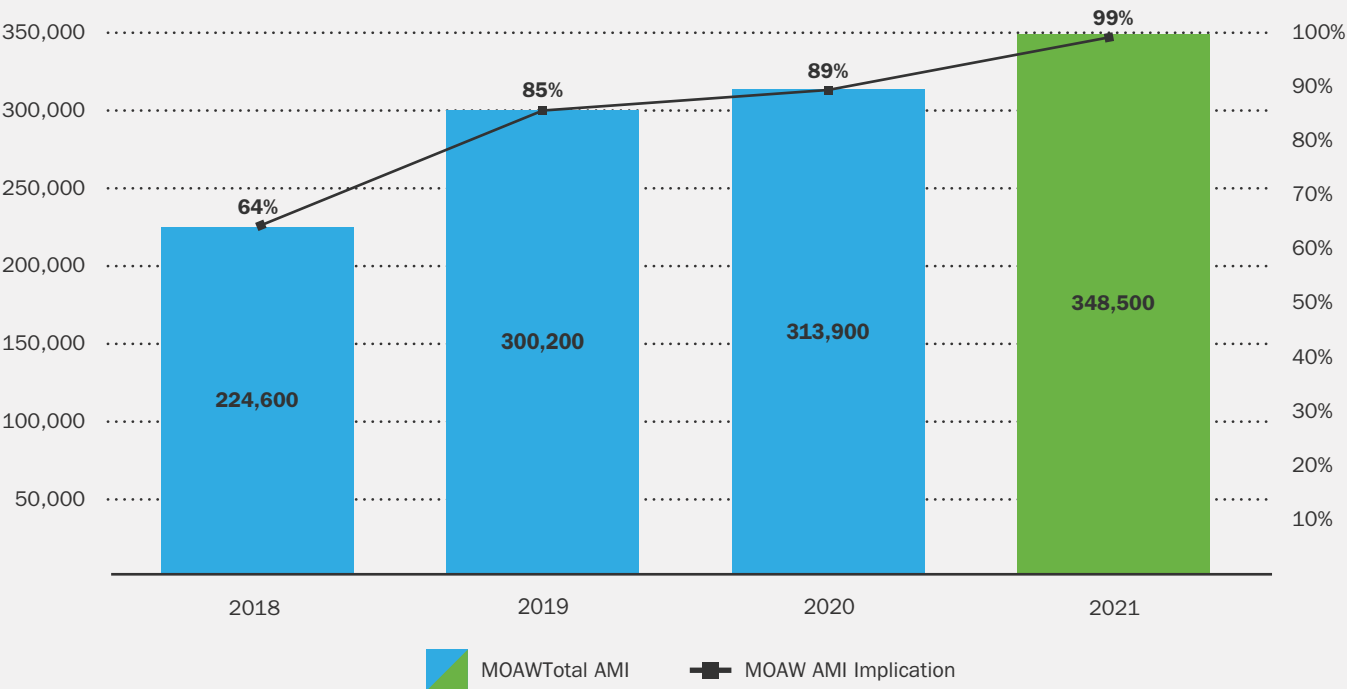
# St. Louis District AMI Project

Beginning in 2016, Missouri American Water began a five-year AMI implementation for approximately 340,000 customers in the St. Louis County district. By the end of 2020, 89% of our St. Louis County customers were equipped with AMI. The remaining approximately 10% of installations are inclusive of more difficult services; however, with an increased focus on customer outreach and lessons learned from earlier deployments, we are on track to meet our original timeline. Despite the challenges presented by COVID-19 in 2020, we anticipate that 99% of our customers in St. Louis County will be equipped with AMI by the end of 2021.

The successful completion of this project will result in the installation of 420 Data Collection Units supporting 340,000 Meter Transmission Units, across Missouri American Water’s service area. The Network Control Computer is consistently observed for proper operation.

AMI implementation in St. Louis realized many benefits, including improvements in proactive leak detection, converting customers from quarterly to monthly billing, remotely completing service turn-ons and turn-offs, remote assistance with high bill inquiries and increased data to support customer usage requests.

## Missouri American Water: AMI Installation Project<sup>[1]</sup>



<sup>1</sup> 2021 Projected Installments





### Revenue Stabilization Mechanisms

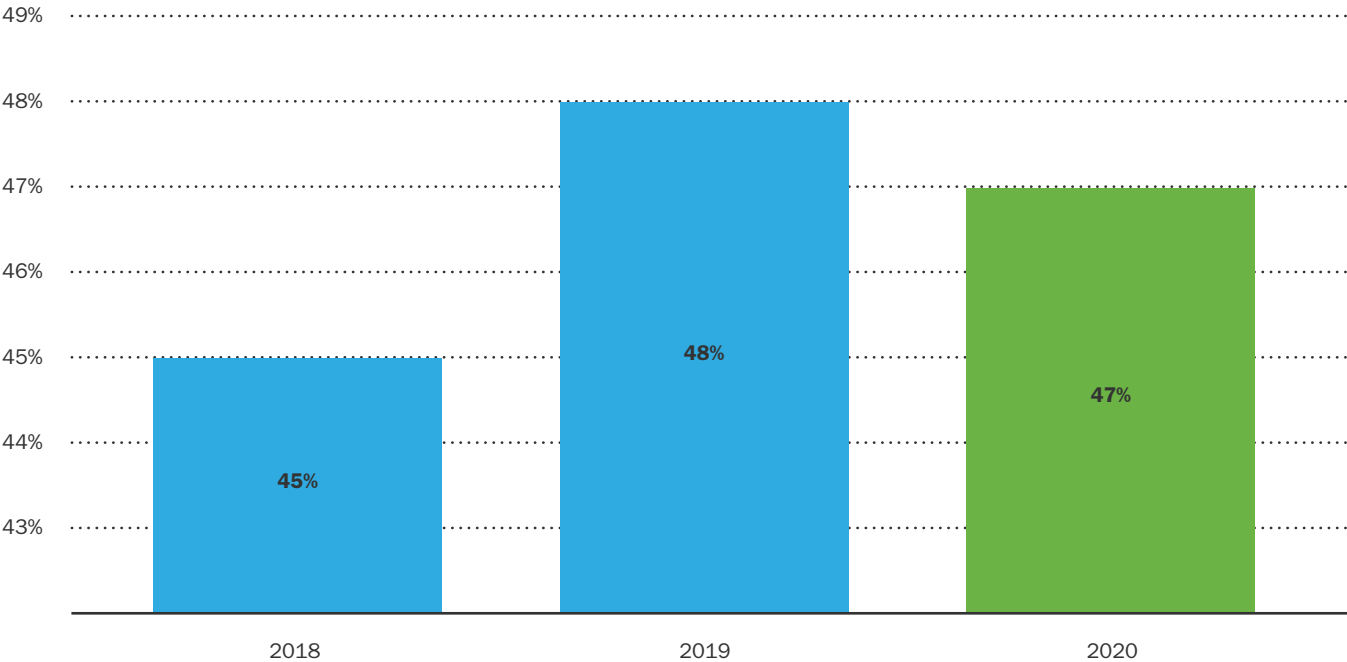
As environmental stewards and customer advocates, promoting customer water conservation is important for reducing the environmental impact and maintaining low costs of service. We advocate for rate structures that promote water conservation and efficiency as part of our environmental stewardship practices.

Some state subsidiaries structure rates so that revenues and earnings decrease with reduced customer water usage. Revenue Stabilization Mechanisms (RSMs) incentivize conservation. These mechanisms permit us to collect an authorized amount of revenue for a given period not exclusively tied to the volume of water sold

during that period. While we recognize the benefits of reduced water usage for our customers, it is also important that we have a meaningful opportunity to earn the revenues authorized by the state commissions in order to continue to invest in capital and deliver safe and reliable water and wastewater services to our customers. Across our business footprint, we support and advocate for RSMs that separate water sales from revenues. In New York, California and Illinois, we have adopted RSMs that may reduce the frequency of general rate cases while promoting water efficiency and lowering operational costs. This is particularly helpful for states with heightened water stress, including New York and California.

### Revenues From Rate Structures Promoting Conservation<sup>[1]</sup>

IF-WU-420a.1



<sup>1</sup> Percentage of water utility revenues from rate structures designed to promote conservation and revenue resilience

# OUR PERFORMANCE

103-3

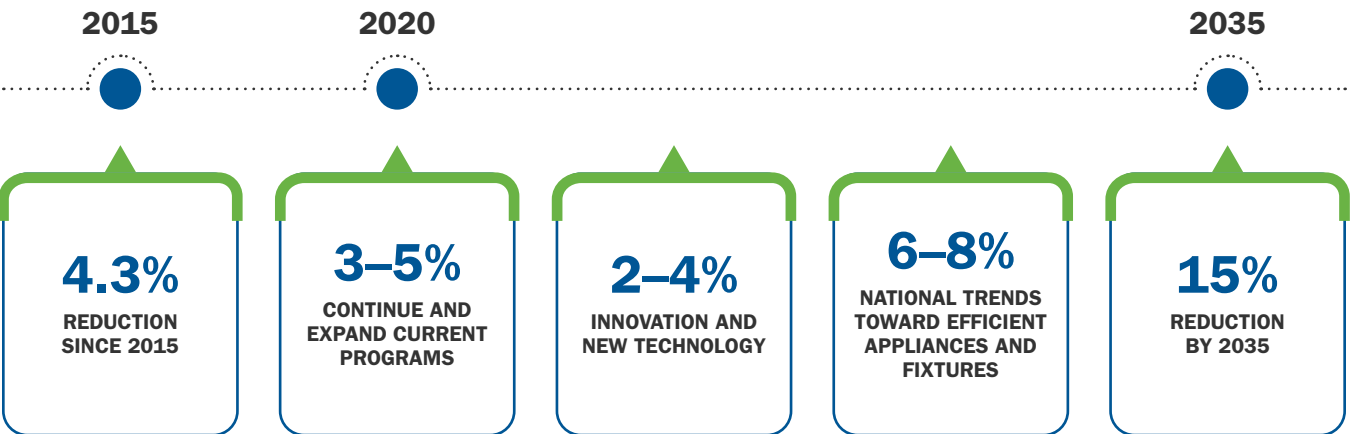
In early 2021, we announced a new goal to continue to meet customer needs while saving 15% in water delivered per customer by 2035, compared to a 2015 baseline<sup>1</sup>. Since 2015, we have already realized a 4.3% reduction in water delivered per customer. Progress towards this goal will not only demonstrate our commitment to environmental stewardship, but will also yield energy savings, reductions in non-revenue water losses and lower costs to customers.

<sup>1</sup> Per customer assumes total customers in all classes based on 2015 baseline. Excludes New York American Water (which will be sold in 2021) from baseline and forecast.

In early 2021, we announced a new goal to continue to meet customer needs while saving 15% in water delivered per customer by 2035, compared to a 2015 baseline.

## Water Use & Efficiency Goal

By 2035, American Water commits to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline.





# Energy & Emissions

## WHY IT MATTERS

103-1

We require energy to extract and deliver clean and safe water and wastewater services to our customers. Fossil fuel-based energy sources can contribute to climate change through the emission of GHGs. Climate change, especially without mitigation, will likely have implications on our business and our customers through extreme weather impacts that threaten the availability of water supplies and resilience of our infrastructure.

As indicated in a report titled, “Energy-Water Nexus: The Water Sector’s Energy Use”, the treatment and transportation of water represents approximately 4% of all electricity use in the U.S. Most of the energy that water utilities consume is used to pump water. At American Water, approximately 90% of our electricity consumption and more than 80% of our GHG emissions, are related to pumping water. As an energy-intensive utility, it is our job to take responsibility for our energy use and minimize our GHG emissions. The biggest opportunities to reduce our GHG emissions across our business include energy efficiency and responsible vehicle and equipment usage.

### DOWNLOADS

[Environmental Policy](#)



[Environmental Grant Program](#)



[Utility Resilience Index \(URI\) One-Pager](#)



Reduced absolute Scope 1 and Scope 2 GHG emissions by 36% toward 2025 goal of more than 40% reduction.

## OUR APPROACH

103-2

We focus our energy use and GHG emissions reduction initiatives on water efficiency across our business. Improving water efficiency can also help reduce energy cost burdens on our customers. We consider renewable energy sources when negotiating power purchase agreements, recognizing that doing so can help to reduce our own costs and contribute to lower global carbon emissions. The nature of our business underscores that long-term environmental benefits often outweigh short-term cost reductions. Therefore, we still consider projects that may have higher costs but provide additional environmental benefits. We also participate in and support energy efficiency and rebate programs, such as the EPA’s WaterSense program.



Our strategy towards operational efficiency includes five key components: plan, design, construct, operate and maintain.

- **Plan for efficiency:** We consider opportunities to improve energy and water efficiency in our Comprehensive Master Planning process.
- **Design for efficiency:** We employ enhanced pump, pressure management, lighting and process design standards.
- **Construct for efficiency:** We follow sustainable construction standards and methods.
- **Operate for efficiency:** We use enhanced best operating practices, leak detection and repair procedures.
- **Maintain for efficiency:** We utilize computerized maintenance management systems and advanced preventative maintenance strategies to optimize performance and reliability of our equipment.

## Policies

Our Environmental Policy outlines the ways in which our company promotes environmental stewardship across our business, including reporting and responsibilities. Our policy states that:

- We will make effective and efficient use of natural resources, including energy; and
- Capital investment projects will strive to minimize impact on resource consumption, including energy and energy efficiency, both for the construction of the facilities and within the facility itself.

## Governance

We updated our Environmental Policy in 2021 to provide additional guidance concerning environmental stewardship oversight. Our Chief Environmental Officer oversees our energy and emissions activities, and is responsible for tracking and reporting overall environmental compliance and performance while mitigating emerging areas of environmental risk; the COO reports such data and performance to the Board on a regular basis.

Our employee Sustainability Committee, established in 2019, also collaborates across the organization to advance our sustainability initiatives, including energy and emissions. American Water's internal audit function provides an additional layer of governance around data and process management related to our energy and GHG performance. All employees are responsible for taking the necessary actions to comply with environmental laws, regulations and standards. We also expect our employees to promote environmental stewardship and help reduce our impact on climate change. Suppliers are encouraged to align with our environmental policy and reduce their own environmental impact, including emissions reductions.





#### HIGHLIGHT STORY

## Investment in Pump Replacement to Increase Energy Efficiency

In 2019, Kentucky American Water began a multi-year pump replacement program to replace the pumps at Kentucky River Station #1, which handles up to 75% of Kentucky American Water's system demand. Many of the pumps at the station date back to the 1950s, and recent efficiency studies showed that station was in need of improvements to fill production gaps and align with system demands. To date, the Kentucky American Water team has replaced four of the station's 12 pumps. The team has shifted reliance onto newer pumps, resulting in up to 35% efficiency gains per pump. Kentucky American Water projects the annual cost avoidance from the pump replacement program to be more than \$447,000.

In 2020, Illinois American Water also replaced two distribution pumps at Illinois American Water's Grand Boulevard pump station with variable frequency drive motors. These motors pump output to match current demands rather than pumping at one constant speed, resulting in increased energy efficiency and decreased energy consumption. American Water continues to pursue replacement and rehabilitation pumping projects across our service areas to meet our projected needs and provide greater system efficiency and water service to our customers.



# Energy Efficiency

## Operational Efficiency

American Water implemented a variety of initiatives at our facilities to promote efficiency across our business, including operational audits. We work to maintain or lower our energy intensity while expanding our business and acquiring systems that are less efficient. We also incorporate sustainable design into many of our buildings and facilities, including our corporate headquarters on One Water Street in Camden, NJ. Our headquarters is LEED Platinum certified, both for its building design (BD+C: Core and Shell) and for its interior design (ID+C: Commercial Interiors), while earning all possible points within the water efficiency credit categories. Other efficiency highlights of our headquarters include:

- 40.8% of the total site area is dedicated to open space;
- Roofing technologies, energy and atmosphere efficiencies reduced our HVAC cost by 30%;
- High-efficiency HVAC systems help reduce energy consumption;
- We reduced potable water usage for biosolid conveyance by 95.7% by using rainwater, low-flow water closets, low-flow faucets and waterless urinals;
- We reduced flush and flow fixtures water use by 77.3% compared to an office space with typical fixtures. A major contributor to this reduction was the installation of waterless urinals;
- We diverted 88.4% of the construction waste from landfills and appropriately recycled;
- LED lighting is throughout the building;
- Solar shades are utilized on windows to maximize the use of natural light; and
- Electric charging stations are available for employee vehicles.

See this [case study](#) for more about our headquarters' sustainability features.



## Pump Replacement

Aging pumps and motors require more energy to move the same amount of water, decreasing their efficiency and increasing our costs. With approximately 80% of our GHG emissions related to pumping water, we work to make our pumps as efficient as possible to minimize electricity consumption and emissions. As part of our annual program to replace or refurbish pumps, we invested over \$72 million in 2019 and 2020 in pumping station upgrades across our footprint, which together are projected to save over 11 million kWh of electricity annually.

## Pressure Management

Pressure management is another way we can increase energy and operational efficiency. By reducing water pressure to match customer demand and minimizing rapid fluctuations in pressure, we can reduce both energy consumption and stress on buried and aging infrastructure that could otherwise lead to leakage. We constantly develop and test new tools, strategies and technologies that can help mitigate rapid fluctuations and optimize system pressure without compromising our ability to meet peak demands. For more information about our efforts to reduce leakage and increase efficiency through technology, please see [Water Use & Efficiency](#).



## HIGHLIGHT STORY

# Net Zero Operations Center at Hill Air Force Base

MSG constructed a net zero operations center at Hill Air Force Base to enhance energy efficiency and reduce emissions that contribute to climate change. The building design focused on reducing energy usage through decentralized heating and cooling while also offsetting energy usage with solar panels. During its first three years of operation, the building not only met all of its electrical needs, but also provided 585 kilowatt-hours back to the grid. Despite being on a military base, which disqualifies the building from some savings, rebates and incentives, we expect the building to have a simple payback of between 15 to 20 years.



## Renewables

As of December 2020, we have solar installations throughout our service areas totaling approximately 3.9 megawatts of capacity.

- New Jersey American Water has over 3 megawatts of solar development, yielding approximately 3,000 megawatt-hours annually in its current portfolio, with the potential of future growth.
- Missouri American Water utilizes 0.07 megawatts of solar installation across the state, including two large rooftop arrays, one large ground mounted array and 20 small solar installations that provide power to remote facilities.
- Illinois American Water began working with a solar developer in August 2020 to develop two new solar arrays on Illinois American Water property, both of which will be the largest solar installations across our footprint. Both systems will be rated at approximately 2.4 megawatts and will help us save over \$200,000 in annual energy costs. These solar fields are expected to become operational in 2021.

In 2019 and 2020, we generated 4,500 megawatt-hours per year of solar output. Although American Water's renewable energy generation does not directly reduce our GHG emissions, the consumption of renewable energy by other parties helps contribute to global GHG reduction efforts.

Many of the states within our service footprint have favorable regulation regarding renewable development and incentives for the investment in renewable energy development. American Water will continue to evaluate and expand our renewable energy portfolio.

## OUR PERFORMANCE

103-3

In 2021, American Water refined the existing energy and emissions goal to reduce our absolute scope 1 and scope 2 GHG emissions by more than 40% by 2025 (from a 2007 baseline). Our refinement clarifies our goal to include absolute scope 1 and 2 reduction of more than 40%. We have already achieved an approximate 36% reduction in GHG emissions through December 2020.

We discuss our efforts to minimize our energy use and emissions in more detail in our annual CDP Climate Change Report. In 2019 and 2020, we received a B score for our performance.

HIGHLIGHT STORY

# Certified Environmental Leader Program

As a water and wastewater services company, we are inextricably tied to the welfare of the environment. Each of our employees understands the role they play to promote environmental stewardship across our organization. We recognize employees who demonstrate commitment and action towards environmental leadership through our Certified Environmental Leader program, modeled after our Certified Safe Worker program. MSG first piloted the program in 2019 and 2020. We are now working with our corporate environmental stewardship team to expand this program across the company in 2021. In 2020, American Water certified over 180 employees as Environmental Leaders.

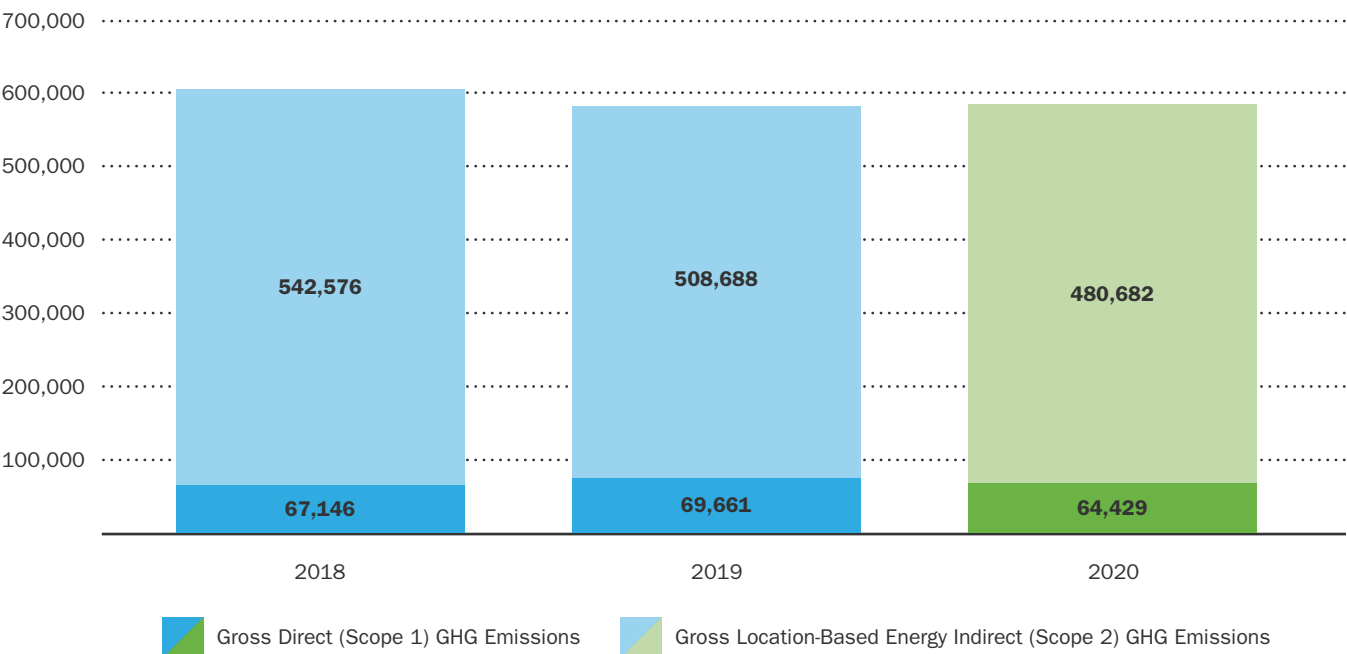


Areas of recognition included:

- Personal commitments to the MSG environmental charter;
- Water conservation;
- Energy conservation;
- Recycling and waste reduction;
- Carbon footprint reduction;
- Sustainable procurement;
- Volunteering;
- Education; and
- Project innovation.

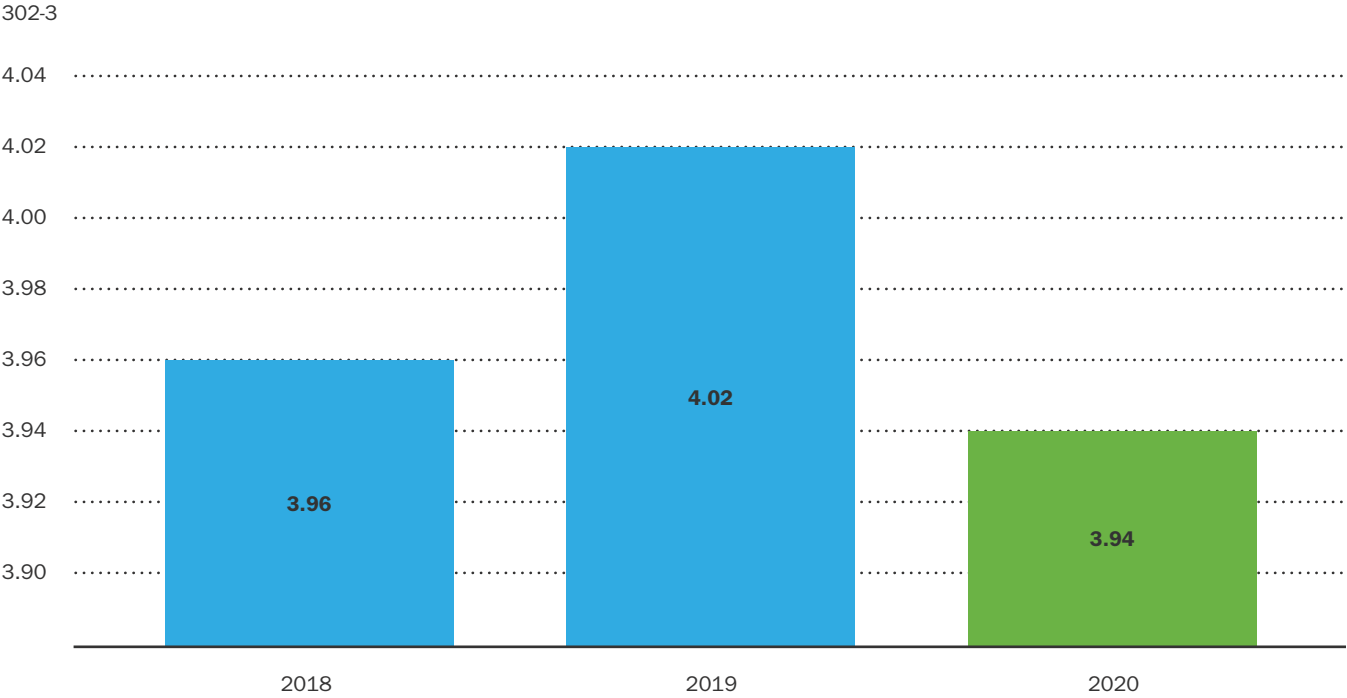
## GHG Emissions (Scope 1 & 2)<sup>[1]</sup>

305-1, 305-2, EEI 5.2.2



<sup>1</sup> Beginning in 2020, we have removed refrigerants from our calculation of our scope 1 GHG emissions.

# Energy Intensity Ratio<sup>[1]</sup>



<sup>1</sup> Beginning with this report, we have refined our energy intensity calculations to include both Scope 1 and Scope 2 energy data. This new calculation provides a more accurate measurement of Energy Intensity. We updated our 2018 data, shown above, to reflect this new measurement method.





# CONTENT INDICES

## GRI Standards: General Disclosures

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>Organizational Profile</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-1</b>	<b>Name of the organization</b>	
American Water Works Company, Inc.			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-2</b>	<b>Activities, brands, products, and services</b>	<b>6-11</b>
<a href="#">About American Water</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-3</b>	<b>Location of headquarters</b>	
1 Water Street, Camden, New Jersey			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-4</b>	<b>Location of operations</b>	<b>7-8</b>
<a href="#">About American Water, Regulated Footprint</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-5</b>	<b>Ownership and legal form</b>	
American Water is a publicly held corporation incorporated in the state of Delaware. Our shares trade on the New York Stock Exchange (AWK).			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-6</b>	<b>Markets served</b>	<b>6-8</b>
<a href="#">About American Water; 2020 Annual Report, Item 1. Business</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-7</b>	<b>Scale of the organization</b>	<b>6-8</b>
<a href="#">About American Water; 2020 Annual Report, Item 1. Business</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 102: General Disclosures (2016)</b>	<b>102-8</b>	<b>Information on employees and other workers</b>	

[ESG Data Summary](#)

Business Unit	Regular Employees			Temporary Employees		
	2018	2019	2020	2018	2019	2020
California & Hawaii	308	298	321	3	2	0
Eastern	1,102	1,103	1,109	1	2	0
Mid-Atlantic	1,432	1,443	1,469	1	0	0
Midwest	1,586	1,596	1,654	2	2	3
Southeast	253	248	254	1	1	0
Contract Services	120	96	87	0	0	0
Military Services	287	435	392	0	0	0
Homeowner Services	466	322	457	0	0	0
Corporate	1,261	1,269	1,279	14	11	17

Whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.

N/A

Any significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-a-c (such as seasonal variations in the tourism or agricultural industries).

N/A

An explanation of how the data has been compiled, including any assumptions made.

No assumptions made. Employee data is pulled from American Water's Human Capital Management system, My Employee Center.

<b>GRI 102: General Disclosures (2016)</b>	<b>102-9</b>	<b>Supply chain</b>	
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American Water conducted \$1.9 billion of business with 4,554 suppliers in 2019, and \$2.1 billion of business with 4,309 suppliers in 2020, of which more than 99.9% are based in the United States. Primary suppliers provide the engineering services, construction and paving materials for pipelines, sewer lines, linings, road repair, plants and facilities and corporate buildings; chemicals used for water treatment; energy; and technology.

<b>GRI 102: General Disclosures (2016)</b>	<b>102-10</b>	<b>Significant changes to the organization and its supply chain</b>	<b>6</b>
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[2020 Annual Report, Item 1. Business; About American Water, Organizational Leadership Changes](#)

We issued an updated Code of Ethics in 2020. We established a Supplier Code of Conduct in 2020 to provide stronger guidance to our suppliers. In April 2019, we implemented MyPurchasing, a modern, enterprise-wide sourcing, contract management and procurement system designed for increased compliance to our procurement policy.

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 102: General Disclosures (2016)</b>	<b>102-11</b>	<b>Precautionary Principle or approach</b>	
American Water does not follow the precautionary approach as outlined by GRI and the United Nations, but has a comprehensive risk management program in place.			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-12</b>	<b>External initiatives</b>	
To demonstrate our commitment to ESG governance and transparency, we report through the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and the Edison Electric Institute (EEI) frameworks. In addition, we reference the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, providing information and data related to our approach to managing climate risk across the enterprise. We also take into consideration the United Nations Sustainable Development Goals (UNSDGs), and we submit responses to the S&P Global Corporate Sustainability Assessment (CSA) and CDP Climate Change annually. To better understand and communicate our climate related risks and opportunities to stakeholders, we respond to the CDP Climate Change questionnaire annually. Additionally, we have voluntarily aligned with National Institute of Standards and Technology (NIST) standards since 2014, demonstrating our commitment to protecting critical infrastructure.			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-13</b>	<b>Membership of associations</b>	<b>25</b>
<a href="#">Our Stakeholders, Industry Association Memberships</a>			
<b>Strategy</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-14</b>	<b>Statement from senior decision-maker</b>	<b>4</b>
<a href="#">Greetings From Our President &amp; CEO</a>			
<b>Ethics &amp; Integrity</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-16</b>	<b>Values, principles, standards, and norms of behavior</b>	<b>9, 19</b>
<a href="#">About American Water, Our Values; Corporate Governance &amp; Business Ethics, Business Ethics</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-17</b>	<b>Mechanisms for advice and concerns about ethics</b>	<b>19</b>
<a href="#">Corporate Governance &amp; Business Ethics, Business Ethics</a>			
<b>Governance</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-18</b>	<b>Governance structure</b>	<b>17</b>
<a href="#">Corporate Governance &amp; Business Ethics, Corporate Governance</a>			
<b>Stakeholder Engagement</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-40</b>	<b>List of stakeholder groups</b>	<b>24</b>
<a href="#">Stakeholder Engagement, Our Stakeholders</a>			



GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 102: General Disclosures (2016)</b>	<b>102-41</b>	<b>Collective bargaining agreements</b>	
As of December 31, 2020, approximately 45% of our workforce was represented by unions, and we had 72 collective bargaining agreements in place with 14 different unions representing our unionized employees.			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-42</b>	<b>Identifying and selecting stakeholders</b>	<b>24</b>
<a href="#">Stakeholder Engagement, Our Stakeholders</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-43</b>	<b>Approach to stakeholder engagement</b>	<b>24</b>
<a href="#">Stakeholder Engagement, Our Stakeholders</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-44</b>	<b>Key topics and concerns raised</b>	<b>24</b>
<a href="#">Stakeholder Engagement, Our Stakeholders</a>			
<b>Reporting Practices</b>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-45</b>	<b>Entities included in the consolidated financial statements</b>	
<a href="#">2020 Annual Report, Item 1. Business</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-46</b>	<b>Defining report content and topic Boundaries</b>	<b>23</b>
<a href="#">Stakeholder Engagement, Materiality Assessment Process</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-47</b>	<b>List of material topics</b>	<b>23</b>
<a href="#">Materiality Assessment Process, Our Material Topics</a>			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-48</b>	<b>Restatements of information</b>	
None			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-49</b>	<b>Changes in reporting</b>	
None			
<b>GRI 102: General Disclosures (2016)</b>	<b>102-50</b>	<b>Reporting period</b>	<b>3</b>
<a href="#">About This Report</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number
GRI 102: General Disclosures (2016)	102-51	Date of most recent report	3
<a href="#">About This Report</a>			
GRI 102: General Disclosures (2016)	102-52	Reporting cycle	3
<a href="#">About This Report</a>			
GRI 102: General Disclosures (2016)	102-53	Contact point for questions regarding the report	
Please contact our Senior Vice President of Communications and External Affairs, Maureen Duffy, at <a href="mailto:Maureen.Duffy@amwater.com">Maureen.Duffy@amwater.com</a> with questions or feedback.			
GRI 102: General Disclosures (2016)	102-54	Claims of reporting in accordance with the GRI Standards	
We prepared this report in accordance with the GRI Standards: Core option			
GRI 102: General Disclosures (2016)	102-55	GRI content index	3, 127
<a href="#">About This Report</a> ; <a href="#">Content Indices</a> , <a href="#">GRI Content Index</a>			
GRI 102: General Disclosures (2016)	102-56	External assurance	
Although we did not seek external assurance for the 2019–2020 Sustainability Report, we may consider external assurance for future sustainability reports. We have no policy regarding external assurance for this report.			

## GRI Standards: Topic-Specific Disclosures

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>Economic</b>			
<b>Water Infrastructure</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>84</b>
<a href="#">Water Infrastructure, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>85–94</b>
<a href="#">Water Infrastructure, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>94</b>
<a href="#">Water Infrastructure, Our Performance</a>			
<b>Non-GRI Topic Specific Metric</b>	<b>SASB: IF-WU-140a.1</b>	<b>Water Main Replacement Rate</b>	<b>94</b>
<a href="#">Water Infrastructure, Our Performance; ESG Data Summary</a>			
<b>Non-GRI Topic Specific Metric</b>	<b>Company-Specific</b>	<b>Average Age of Pipes (Years)</b>	
In 2020, 89.7% of our pipes had installation dates available, of which the average age is 47 years. For pipes that are older than 80 years, 12.6% have installation dates available.			
<b>Climate Variability</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>95</b>
<a href="#">Climate Variability, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>95–99</b>
<a href="#">Climate Variability, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>100</b>
<a href="#">Climate Variability, Our Performance</a>			
<b>GRI 201: Economic Performance (2016)</b>	<b>201-2</b>	<b>Financial implications and other risks and opportunities due to climate change</b>	<b>95–99</b>
<a href="#">Climate Variability, Our Approach; American Water 2019 CDP Response, pg. 12–18; American Water 2020 CDP Response, pg. 7–13</a>			



GRI Standard	Disclosure Number	Disclosure Title	Page Number
Non-GRI Topic Specific Metric	SASB: IF-WU-450a.1	Wastewater Treatment Capacity Located in 100-Year Flood Zones	100, 145
<a href="#">Climate Variability, Our Performance</a> ; <a href="#">SASB Content Index</a>			
Non-GRI Topic Specific Metric	Company-Specific	Capital Expenditure Invested in Resiliency Capabilities	98
<a href="#">Climate Variability, Adaptation</a> ; <a href="#">ESG Data Summary</a>			
<b>Water Supply Resilience</b>			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundaries	102
<a href="#">Water Supply Resilience, Why It Matters</a>			
GRI 103: Management Approach (2016)	103-2	Management approach and its components	102–105
<a href="#">Water Supply Resilience, Our Approach</a>			
GRI 103: Management Approach (2016)	103-3	Evaluation of management approach	105–107
<a href="#">Water Supply Resilience, Our Performance</a>			
Non-GRI Topic Specific Metric	Company-Specific	Total Water Withdrawal from All Areas	107
<a href="#">Water Supply Resilience, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
<b>Environmental</b>			
<b>Water Use &amp; Efficiency</b>			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundary	109
<a href="#">Water Use &amp; Efficiency, Why It Matters</a>			
GRI 103: Management Approach (2016)	103-2	The management approach and its components	109–118
<a href="#">Water Use &amp; Efficiency, Our Approach</a> ; <a href="#">Water Use &amp; Efficiency, Technology &amp; Efficiency</a>			
GRI 103: Management Approach (2016)	103-3	Evaluation of management approach	119
<a href="#">Water Use &amp; Efficiency, Our Performance</a>			
Non-GRI Topic Specific Metric	SASB: IF-WU-140a.2	Volume of non-revenue water losses	
<a href="#">ESG Data Summary</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number
Non-GRI Topic Specific Metric	SASB: IF-WU-420a.1	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	118, 143
<a href="#">Water Use &amp; Efficiency, Our Approach</a> ; <a href="#">SASB Content Index</a>			
Non-GRI Topic Specific Metric	SASB: IF-WU-420a.2	Customer water savings from efficiency measures	116, 143
<a href="#">Water Use &amp; Efficiency, Residential Customer Water Savings</a> ; <a href="#">SASB Content Index</a> ; <a href="#">ESG Data Summary</a>			
<b>Energy</b>			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundaries	120
<a href="#">Energy &amp; Emissions, Why It Matters</a>			
GRI 103: Management Approach (2016)	103-2	Management approach and its components	120–124
<a href="#">Energy &amp; Emissions, Our Approach</a>			
GRI 103: Management Approach (2016)	103-3	Evaluation of management approach	124–126
<a href="#">Energy &amp; Emissions, Our Performance</a>			
GRI 302: Energy (2016)	302-1	Energy Consumption within the organization	124–126
<a href="#">Energy &amp; Emissions, Our Performance</a> ; <a href="#">Energy &amp; Emissions, Renewables</a> ; <a href="#">ESG Data Summary</a>			
GRI 302: Energy (2016)	302-3	Energy Intensity	126
<a href="#">Energy &amp; Emissions, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
<b>Emissions</b>			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundaries	120
<a href="#">Energy &amp; Emissions, Why It Matters</a>			
GRI 103: Management Approach (2016)	103-2	Management approach and its components	120–124
<a href="#">Energy &amp; Emissions, Our Approach</a>			
GRI 103: Management Approach (2016)	103-3	Evaluation of management approach	124–126
<a href="#">Energy &amp; Emissions, Our Performance</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 305: Emissions (2016)</b>	<b>305-1</b>	<b>Direct (Scope 1) GHG Emissions</b>	<b>125</b>
<a href="#">Energy &amp; Emissions, Our Performance; ESG Data Summary; 2019 CDP Response; 2020 CDP Response</a>			
Base Year		Base Year: 2007 Base Year Emissions: 63,977 MT CO <sub>2</sub> e	
Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.		EPA: Center for Corporate Climate Leadership Engie: Energy Management Company/Carbon Management System eGRID IPCC Fifth Assessment Report (AR5—100 year) for CO <sub>2</sub> e (e.g., CH <sub>4</sub> , N <sub>2</sub> O, HFC to CO <sub>2</sub> e)	
Consolidation approach for emissions; whether equity share, financial control, or operational control.		Financial and operational control	
Standards, methodologies, assumptions and/or calculation tools used.		Engie: Energy Management System/Carbon Management System EPA: Greenhouse Gas Equivalencies Calculator eGRID IPCC Fifth Assessment Report (AR5—100 year) for CO <sub>2</sub> e (e.g., CH <sub>4</sub> , N <sub>2</sub> O, HFC to CO <sub>2</sub> e)	
<b>GRI 305: Emissions (2016)</b>	<b>305-2</b>	<b>Energy indirect (Scope 2) GHG Emissions</b>	<b>125</b>
<a href="#">Energy &amp; Emissions, Our Performance; ESG Data Summary; 2019 CDP Response; 2020 CDP Response</a>			
Base Year		Base Year: 2007 Base Year Emissions: 789,699 MT CO <sub>2</sub> e	
Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.		EPA: Center for Corporate Climate Leadership Engie: Energy Management Company/Carbon Management System eGRID IPCC Fifth Assessment Report (AR5—100 year) for CO <sub>2</sub> e (e.g., CH <sub>4</sub> , N <sub>2</sub> O, HFC to CO <sub>2</sub> e)	
Consolidation approach for emissions; whether equity share, financial control, or operational control.		Financial and operational control	
Standards, methodologies, assumptions and/or calculation tools used.		Engie: Energy Management System/Carbon Management System EPA: Greenhouse Gas Equivalencies Calculator eGRID IPCC Fifth Assessment Report (AR5—100 year) for CO <sub>2</sub> e (e.g., CH <sub>4</sub> , N <sub>2</sub> O, HFC to CO <sub>2</sub> e)	
<b>Social</b>			
<b>Employment</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>49</b>
<a href="#">Talent Attraction, Engagement &amp; Retention, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>49–61</b>
<a href="#">Talent Attraction, Engagement &amp; Retention, Our Approach</a>			



GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>62</b>

[Talent Attraction, Engagement & Retention, Our Performance](#)

<b>GRI 401: Employment (2016)</b>	<b>401-1</b>	<b>New employee hires and employee turnover<sup>[1]</sup></b>	<b>62</b>
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[Talent Attraction, Engagement & Retention, Our Performance; ESG Data Summary](#)

Employee Hires (by business unit)	2018		2019		2020	
	#	Rate	#	Rate	#	Rate
California-Hawaii	30	0.10	21	0.07	27	0.08
Eastern	120	0.11	85	0.08	138	0.12
Mid-Atlantic	153	0.11	135	0.09	105	0.07
Midwest	165	0.10	118	0.07	69	0.04
Southeast	36	0.14	24	0.10	25	0.10
Contract Services	32	0.27	17	0.18	14	0.16
Military Services	62	0.22	73	0.17	107	0.27
Homeowner Services	360	0.77	67	0.21	89	0.19
Corporate	302	0.24	214	0.17	146	0.11
Employee Turnover (by business unit)	2018		2019		2020	
	#	Rate	#	Rate	#	Rate
California-Hawaii	23	0.07	33	0.11	20	0.06
Eastern	93	0.08	71	0.06	87	0.08
Mid-Atlantic	130	0.09	106	0.07	77	0.05
Midwest	133	0.08	123	0.08	61	0.04
Southeast	23	0.09	25	0.10	21	0.08
Contract Services	138	1.15	25	0.26	22	0.25
Military Services	49	0.17	39	0.09	40	0.09
Homeowner Services	70	0.15	94	0.29	67	0.15
Corporate	297	0.23	218	0.17	121	0.09

<b>GRI 401: Employment (2016)</b>	<b>401-2</b>	<b>Benefits provided to full-time employees that are not provided to temporary or part-time employees</b>	<b>61</b>
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[Talent Attraction, Engagement & Retention, Compensation & Benefits](#)

<sup>1</sup> We calculate our employee hire and turnover rates using the following formulas: Hire Rate = (# of hires during the reporting period)/(Total number of employees during the reporting period); Turnover Rate = (# of separated employees during the reporting period)/(Total number of employees during the reporting period)

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>Occupational Health &amp; Safety</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>40</b>
<a href="#">Occupational Health &amp; Safety, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>40–47</b>
<a href="#">Occupational Health &amp; Safety, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>48</b>
<a href="#">Occupational Health &amp; Safety, Our Performance</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-1</b>	<b>Occupational health and safety management system</b>	<b>42</b>
<a href="#">Occupational Health &amp; Safety, Occupational Health &amp; Safety Management System</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-2</b>	<b>Hazard identification, risk assessment, and incident investigation</b>	<b>44</b>
<a href="#">Occupational Health &amp; Safety, Hazard Identification</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-3</b>	<b>Occupational health services</b>	<b>45</b>
<a href="#">Occupational Health &amp; Safety, Occupational Health Services</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-4</b>	<b>Worker participation, consultation, and communication on occupational health and safety</b>	<b>41, 47</b>
<a href="#">Occupational Health &amp; Safety, Governance</a> ; <a href="#">Occupational Health &amp; Safety, Communication</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-5</b>	<b>Worker training on occupational health and safety</b>	<b>46</b>
<a href="#">Occupational Health &amp; Safety, Occupational Health &amp; Safety Training</a> ; <a href="#">ESG Data Summary</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-6</b>	<b>Promotion of worker health</b>	<b>14–15, 45</b>
<a href="#">Addressing COVID-19</a> ; <a href="#">Occupational Health &amp; Safety, Occupational Health Services</a>			
<b>GRI 403: Occupational Health and Safety (2018)</b>	<b>403-7</b>	<b>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</b>	<b>19, 40–48</b>
<a href="#">Corporate Governance &amp; Business Ethics, Business Ethics</a> ; <a href="#">Occupational Health &amp; Safety, Our Approach</a> ; <a href="#">Occupational Health &amp; Safety, Our Performance</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number																																																	
GRI 403: Occupational Health and Safety (2018)	403-9	Work-related injuries	40–48																																																	
<a href="#">Occupational Health &amp; Safety, Our Approach</a> ; <a href="#">Occupational Health &amp; Safety, Hazard Identification</a> ; <a href="#">Occupational Health &amp; Safety, Our Performance</a> ; <a href="#">ESG Data Summary</a>																																																				
		<table><tr><td></td><td colspan="2">2018</td><td colspan="2">2019</td><td colspan="2">2020</td></tr><tr><td>Employees</td><td>#</td><td>Rate</td><td>#</td><td>Rate</td><td>#</td><td>Rate</td></tr><tr><td>High-Consequence Work-Related Injuries (Excluding Fatalities)</td><td>40</td><td>3.10</td><td>23</td><td>1.76</td><td>25</td><td>1.97</td></tr><tr><td>Non-Employee Workers</td><td>#</td><td>Rate</td><td>#</td><td>Rate</td><td>#</td><td>Rate</td></tr><tr><td>High-Consequence Work-Related Injuries (Excluding Fatalities)</td><td>11</td><td>1.68</td><td>12</td><td>0.45</td><td>4</td><td>0.63</td></tr><tr><td>Main Types of Work-Related Injury</td><td colspan="6">American Water does not currently track this information.</td></tr><tr><td>Number of Hours Worked</td><td colspan="2">8,043,230</td><td colspan="2">622,891</td><td colspan="2">6,397,970</td></tr></table>		2018		2019		2020		Employees	#	Rate	#	Rate	#	Rate	High-Consequence Work-Related Injuries (Excluding Fatalities)	40	3.10	23	1.76	25	1.97	Non-Employee Workers	#	Rate	#	Rate	#	Rate	High-Consequence Work-Related Injuries (Excluding Fatalities)	11	1.68	12	0.45	4	0.63	Main Types of Work-Related Injury	American Water does not currently track this information.						Number of Hours Worked	8,043,230		622,891		6,397,970		
	2018		2019		2020																																															
Employees	#	Rate	#	Rate	#	Rate																																														
High-Consequence Work-Related Injuries (Excluding Fatalities)	40	3.10	23	1.76	25	1.97																																														
Non-Employee Workers	#	Rate	#	Rate	#	Rate																																														
High-Consequence Work-Related Injuries (Excluding Fatalities)	11	1.68	12	0.45	4	0.63																																														
Main Types of Work-Related Injury	American Water does not currently track this information.																																																			
Number of Hours Worked	8,043,230		622,891		6,397,970																																															
Work-Related Hazards																																																				
Any Actions Taken or Underway to Eliminate Other Work-Related Hazards and Minimize Risks Using the Hierarchy of Controls		<a href="#">Addressing COVID-19; Occupational Health &amp; Safety, Occupational Health &amp; Safety Management System</a>  <a href="#">Occupational Health &amp; Safety, Hazard Identification</a>  <a href="#">Occupational Health &amp; Safety, Occupational Health &amp; Safety Training</a>  <a href="#">Occupational Health &amp; Safety, Communication</a>																																																		
Whether the Rates have been Calculated Based on 200,000 or 1,000,000 Hours Worked		American Water calculates ORIR based on 200,000 hours.																																																		
Any Workers Excluded from this Disclosure (And Why)		No workers have been excluded from this disclosure.																																																		
Standards, Methodologies, and Assumptions Used to Compile Data		All data has been compiled in accordance with OSHA ORIR/DART formulas.																																																		



GRI Standard	Disclosure Number	Disclosure Title		Page Number
GRI 403: Occupational Health and Safety (2018)	403-10	Work-related ill health		40–48
<a href="#">Occupational Health &amp; Safety, Our Approach</a> ; <a href="#">Occupational Health &amp; Safety, Hazard Identification</a> ; <a href="#">Occupational Health &amp; Safety, Our Performance</a> ; <a href="#">ESG Data Summary</a>				
		2018	2019	2020
Employees				
Number of Cases of Recordable Work-Related Ill Health		0	0	1
Main Types or Work-Related Ill Health		None	None	Contact Dermatitis
Non-Employees				
Number of Cases of Recordable Work-Related Ill Health		American Water does not currently track this information. We track contractor ORIR and DART.		
Main Types or Work-Related Ill Health		American Water does not currently track this information.		
Any Workers Excluded From This Disclosure (And Why)		No workers have been excluded from this disclosure.		
Training & Education				
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundaries		49
<a href="#">Talent Attraction, Engagement &amp; Retention, Why It Matters</a>				
GRI 103: Management Approach (2016)	103-2	The management approach and its components		49–61
<a href="#">Talent Attraction, Engagement &amp; Retention, Our Approach</a>				
GRI 103: Management Approach (2016)	103-3	Evaluation of the management approach		62
<a href="#">Talent Attraction, Engagement &amp; Retention, Our Performance</a>				
GRI 404: Training and Education (2016)	404-1	Average hours of training per year per employee		
		2018	2019	2020
By Gender				
Female		35.67	48.50	47.28
Male		37.04	52.48	47.37
By Employee				
Executive Management		51.84	49.98	42.42
Non-Executive Management		52.03	69.21	64.25
Other		34.21	48.09	44.48

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>Diversity &amp; Equal Opportunity</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>49, 52</b>
<a href="#">Talent Attraction, Engagement &amp; Retention, Why It Matters</a> ; <a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>49–61, 52</b>
<a href="#">Talent Attraction, Engagement &amp; Retention, Our Approach</a> ; <a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>62, 52</b>
<a href="#">Talent Attraction, Engagement &amp; Retention, Our Performance</a> ; <a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity</a>			
<b>GRI 405: Diversity and Equal Opportunity (2016)</b>	<b>405-1</b>	<b>Diversity of governance bodies and employees</b>	<b>18, 52</b>
<a href="#">Corporate Governance &amp; Business Ethics, Corporate Governance</a> (Board gender and racial/ethnic diversity); <a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity</a> (Workforce gender and racial/ethnic diversity); <a href="#">2021 Proxy Statement</a> (Board Age—pg. iv); <a href="#">2020 Inclusion &amp; Diversity Report</a> (Workforce age diversity, by generation—pg. 9); <a href="#">ESG Data Summary</a>			
<b>Local Communities</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>30</b>
<a href="#">Local Communities, Why It Matters</a>			
<b>GRI 103: Management Approach 2016</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>30–38</b>
<a href="#">Local Communities, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>33, 36</b>
<a href="#">Local Communities, American Water Charitable Foundation</a> ; <a href="#">Local Communities, Employee Volunteerism</a>			
<b>GRI 413: Local Communities (2016)</b>	<b>413-2</b>	<b>Operations with significant actual and potential negative impacts on local communities</b>	<b>30–38, 64–69, 74–80, 85–94</b>
<a href="#">Local Communities, Our Approach</a> ; <a href="#">Customer Experience, Our Approach</a> ; <a href="#">Water Quality &amp; Emerging Contaminants, Our Approach</a> ; <a href="#">Water Infrastructure, Our Approach</a>			
<b>Public Policy</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>26</b>
<a href="#">Policy Influence, Why It Matters</a>			

GRI Standard	Disclosure Number	Disclosure Title	Page Number
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>26–29</b>
<a href="#">Policy Influence, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>29</b>
<a href="#">Policy Influence, Our Performance</a>			
<b>GRI 415: Public Policy (2016)</b>	<b>415-1</b>	<b>Political contributions</b>	<b>29</b>
<a href="#">Policy Influence, Our Performance</a> ; <a href="#">2018 Political Contributions</a> ; <a href="#">2019 Political Contributions</a> ; <a href="#">2020 Political Contributions</a>			
<b>Customer Experience</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>64</b>
<a href="#">Customer Experience, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>64–69</b>
<a href="#">Customer Experience, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>70</b>
<a href="#">Customer Experience, Customer Feedback</a> ; <a href="#">Customer Experience, Our Performance</a>			
<b>Non-GRI Topic Specific Metric</b>	<b>Company-Specific</b>	<b>Customer Satisfaction Survey Rating</b>	<b>70</b>
<a href="#">Customer Experience, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
<b>Water Access &amp; Affordability</b>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-1</b>	<b>Explanation of the material topic and its Boundaries</b>	<b>71</b>
<a href="#">Water Access &amp; Affordability, Why It Matters</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-2</b>	<b>Management approach and its components</b>	<b>71–72</b>
<a href="#">Water Access &amp; Affordability, Our Approach</a>			
<b>GRI 103: Management Approach (2016)</b>	<b>103-3</b>	<b>Evaluation of management approach</b>	<b>73</b>
<a href="#">Water Access &amp; Affordability, Our Performance</a>			



GRI Standard	Disclosure Number	Disclosure Title	Page Number
Non-GRI Topic Specific Metric	SASB: IF-WU-240a.1	Average retail water rate for (1) residential, (2) commercial, and (3) industrial customers	73
<a href="#">Water Access &amp; Affordability, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
Non-GRI Topic Specific Metric	SASB: IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	73
<a href="#">Water Access &amp; Affordability, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
We report on the typical monthly water bill for residential customers for both water and wastewater services, combined. We do not measure this specifically for 10 Ccf of water delivered per month.			
Non-GRI Topic Specific Metric	SASB: IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	16, 73, 143
<a href="#">Addressing COVID-19, Customer Impact</a> ; <a href="#">Water Access &amp; Affordability, Our Performance</a> ; <a href="#">SASB Content Index</a>			
Non-GRI Topic Specific Metric	Company-Specific	Number of States with Low Income Programs	73
<a href="#">Water Access &amp; Affordability, Our Performance</a> ; <a href="#">ESG Data Summary</a>			
<b>Water Quality &amp; Emerging Contaminants</b>			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundaries	74
<a href="#">Water Quality &amp; Emerging Contaminants, Why It Matters</a>			
GRI 103: Management Approach (2016)	103-2	Management approach and its components	74–80
<a href="#">Water Quality &amp; Emerging Contaminants, Our Approach</a>			
GRI 103: Management Approach (2016)	103-3	Evaluation of management approach	81
<a href="#">Water Quality &amp; Emerging Contaminants, Our Performance</a>			
Non-GRI Topic Specific Metric	SASB: IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	80–81
<a href="#">Water Quality &amp; Emerging Contaminants, Source Water Management</a> ; <a href="#">Water Quality &amp; Emerging Contaminants, Our Performance</a>			
Non-GRI Topic Specific Metric	SASB: IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	77, 81
<a href="#">Water Quality &amp; Emerging Contaminants, Drinking Water</a> ; <a href="#">Water Quality &amp; Emerging Contaminants, Our Performance</a>			
Non-GRI Topic Specific Metric	Company-Specific	American Water Systems with Drinking Water NOVs (Times Better than the Rest of the Water Industry)	81
<a href="#">Water Quality &amp; Emerging Contaminants, Our Performance</a> ; <a href="#">ESG Data Summary</a>			

# SASB Index

SASB Code	Accounting Metric	Page Number
<b>Energy Management</b>		
IF-WU-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	124–126
<a href="#">Energy &amp; Emissions, Our Performance; ESG Data Summary</a>		
	Unit	2018
		2019
		2020
Total Energy Consumed	Gigajoules (GJ)	4.91
		4.87
		4.80
Percentage Grid Electricity	Percent	100%
		100%
		100%
<b>Distribution Network Efficiency</b>		
IF-WU-140a.1	Water main replacement rate	94
<a href="#">Water Infrastructure, Our Performance; ESG Data Summary</a>		
IF-WU-140a.2	Volume of non-revenue water losses	
<a href="#">ESG Data Summary</a>		
<p>SASB asks companies to report the volume of non-revenue real water losses. American Water currently reports the volume of non-revenue water losses, which does not include leakage from mains and service connections and storage tank overflows. We publicly report our non-revenue water rate, which represent leakage (real losses) and “apparent losses” (meter inaccuracies, theft, etc.) and “unbilled authorized consumption” (water main flushing, firefighting, etc.).</p>		
<b>Effluent Quality Management</b>		
IF-WU-140b.2	Discussion of strategies to manage effluents of emerging concern	80–81
<a href="#">Water Quality &amp; Emerging Contaminants, Source Water Management; Water Quality &amp; Emerging Contaminants, Our Performance</a>		
<b>Water Affordability &amp; Access</b>		
IF-WU-240a.1	Average retail water rate for (1) residential, (2) commercial and (3) industrial customers	73
<a href="#">Water Access &amp; Affordability, Our Performance; ESG Data Summary</a>		
IF-WU-240a.2	Typical monthly water bill for residential customers for 10 Ccf of water delivered per month	73
<a href="#">Water Access &amp; Affordability, Our Performance; ESG Data Summary</a>		
<p>We report on the typical monthly water bill for residential customers for both water and wastewater services, combined. We do not measure this specifically for 10 Ccf of water delivered per month.</p>		

SASB Code	Accounting Metric	Page Number
IF-WU-240a.3	Number of residential customer water disconnections for non-payment, percentage reconnected within 30 days	73
<a href="#">Water Access &amp; Affordability, Our Performance</a>		
	Unit	2018
		2019
		2020
Number of Residential Customer Water Disconnections for Non-Payment	Number	197,171
		223,836
		79,655 <sup>[1]</sup>
Percentage Reconnected within 30 days	Percent	76.37%
		71.22%
		71.04%
IF-WU-240a.4	Discussion of impact on external factors on customer affordability of water, including the economic conditions of the service territory	73
<a href="#">Water Access &amp; Affordability, Our Performance</a>		
<b>Drinking Water Quality</b>		
IF-WU-250a.2	Discussion of strategies to manage drinking water contaminants of emerging concern	77, 81
<a href="#">Water Quality &amp; Emerging Contaminants, Drinking Water; Water Quality &amp; Emerging Contaminants, Our Performance</a>		
<b>End-Use Efficiency</b>		
IF-WU-420a.1	Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	109–111
	Unit	2018
		2019
		2020
Percentage of water utility revenues from rate structures that are designed to promote conservation and revenue resilience	Percent	45%
		48%
		47%
<a href="#">Water Use &amp; Efficiency, Our Approach</a>		
IF-WU-420a.2	Customer water savings from efficiency measures	116
<a href="#">Water Use &amp; Efficiency, Residential Customer Water Savings; ESG Data Summary</a>		

<sup>1</sup> In accordance with our COVID-19 measures, American Water reconnected customers who had previously been shut off for non-payment during the COVID-19 public health emergency. For more information, please see the Addressing COVID-19 section of the report.



SASB Code	Accounting Metric	Page Number
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## Water Supply Resilience

IF-WU-440a.3	Discussion of strategies to manage risks associated with the quality and availability of water resources	74–80, 102–105
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[Water Quality & Emerging Contaminants, Our Approach](#); [Water Supply Resilience, Our Approach](#)

## Network Resiliency & Impacts of Climate Change

IF-WU-450a.1	Wastewater treatment capacity located in 100-year flood zones	100
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[Climate Variability, Our Performance](#)

	Unit	2018	2019	2020
Wastewater treatment capacity located in 100-year flood zones	Cubic Meters (m <sup>3</sup> ) per Day	110,248	117,775	117,775

IF-WU-450a.3	(1) Number of unplanned service disruption, and (2) customers affected, each by duration category	94
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[Water Infrastructure, Our Performance](#)

	Unit	2018	2019	2020
Number of unplanned service disruptions	Main breaks per mile	0.27	0.22	0.20

SASB asks companies to report the number of unplanned service disruptions. We report this metric as main breaks per mile, which differs from SASB's methodology. We currently do not report the number of customers affected by unplanned service disruptions by duration category.

## Activity Metrics

IF-WU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served, by service provided	
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	Unit		2018	2019	2020
Number of residential customers served	Water services	Number (in thousands)	2,892	2,914	2,948
	Wastewater services		188	215	236
Number of commercial customers served	Water services	Number (in thousands)	222	222	225
	Wastewater services		11	13	15
Number of industrial customers served	Water services	Number (in thousands)	4	4	4
	Wastewater services		–	–	–
Number of fire service customers served	Water services	Number (in thousands)	48	49	50
	Wastewater services		–	–	–
Number of public and other customers	Water services	Number (in thousands)	16	16	17
	Wastewater services		1	1	1

SASB Code	Accounting Metric	Page Number		
IF-WU-000.B	Total water sourced, percentage by source type			
<a href="#">2020 Annual Report</a>				
	Unit	2018	2019	2020
Total water sourced	Cubic meters (m³)	1,660,574,728	1,631,832,800	1,632,985,829
Groundwater	Percent	26.38%	26.36%	26.55%
Surface water	Percent	66.86%	66.92%	66.23%
Water purchased from third parties	Percent	6.76%	6.71%	7.22%
IF-WU-000.C	Total water delivered to: (1) residential, (2) commercial, (3) industrial, and (4) all other customers			
	Unit	2018	2019	2020
Billed water service volumes to residential customers	Gallons in millions	172,827	167,470	178,753
Billed water service volumes to commercial customers	Gallons in millions	82,572	81,268	75,875
Billed water service volumes to industrial customers	Gallons in millions	38,432	37,242	34,875

# EEI Disclosures

Reference Number	Metric Name	Page Number	
Human Resources			
7.1	Total Number of Employees		
<a href="#">ESG Data Summary</a>			
7.1.1	Percentage of Women in Total Workforce	52	
<a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity; ESG Data Summary; 2020 Inclusion &amp; Diversity Report, pg. 8</a>			
7.1.2	Percentage of Racial/Ethnic Minorities in Total Workforce	52	
<a href="#">Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity; ESG Data Summary; 2020 Inclusion &amp; Diversity Report, pg. 8</a>			
7.2	Total Number on Board of Directors/Trustees	18	
<a href="#">Corporate Governance &amp; Business Ethics, Board Diversity; ESG Data Summary</a>			
7.2.1	Percentage of Women on Board of Directors/Trustees	18, 52	
<a href="#">Corporate Governance &amp; Business Ethics, Board Diversity; Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity; ESG Data Summary</a>			
	As of March 26, 2019	As of March 31, 2020	As of March 30, 2021
Percent	50.0%	54.55%	45.45%
7.2.2	Percentage of Racial/Ethnic Minorities on Board of Directors/Trustees	18, 52	
<a href="#">Corporate Governance &amp; Business Ethics, Board Diversity; Talent Attraction, Engagement &amp; Retention, Inclusion &amp; Diversity; ESG Data Summary</a>			
	2018	2019	2020
Percent	12.5%	18.2%	18.2%
7.3	Employee Safety Metrics	48	
<a href="#">Occupational Health &amp; Safety, Our Performance; ESG Data Summary</a>			
7.3.1	Recordable Incident Rate (ORIR)	48	
<a href="#">Occupational Health &amp; Safety, Our Performance; ESG Data Summary</a>			
7.3.3	Days Away, Restricted and Transfer (DART) Rate	48	
<a href="#">Occupational Health &amp; Safety, Our Performance; ESG Data Summary</a>			
7.3.4	Work-related Fatalities	48	
<a href="#">Occupational Health &amp; Safety, Our Performance; ESG Data Summary</a>			



Recommended Disclosure	Page Number
<b>Governance</b>	
<b>a. Describe the organization's governance around climate-related risks and opportunities</b>	<b>97</b>
<a href="#">Climate Variability, Governance; 2019 CDP Response; 2020 CDP Response</a>	
<p>Our Chief Operational Excellence and Safety Officer, along with our Chief Environmental Officer, who both report to our COO, have ultimate accountability for American Water's approach to adaptation and mitigation strategies associated with climate change. Climate change is a global issue with local implications; therefore, our state Presidents also hold responsibility for our performance.</p> <p>The Safety, Environmental, Technology &amp; Operations Committee, which meets quarterly, oversees programs and policies with respect to protecting the environment, including the company's sustainable efforts concerning water conservation, climate variability, contaminants of emerging concern, and GHG emissions.</p> <p>The Safety, Environmental, Technology &amp; Operations Committee monitors and reviews operational risk exposure, mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency and contingency plans. This includes climate-related risks such as more frequent extreme weather events and increased severity of natural disasters, and resulting resiliency investments and efforts.</p> <p>The Safety, Environmental, Technology &amp; Operations Committee reviews and monitors significant environmental strategies as well as policy and planning issues related to operations—including matters before environmental regulatory agencies, compliance with environmental laws and regulations, and environmental performance. Additional committee responsibilities include overseeing programs and policies regarding the protection of the environment, water conservation and GHG emissions.</p>	
<b>b. Describe management's role in assessing and managing climate-related risks and opportunities</b>	<b>97</b>
<a href="#">Climate Variability, Governance; 2019 CDP Response; 2020 CDP Response</a>	
<p>Climate change is a global issue with local implications, therefore, our state Presidents also hold responsibility for our performance.</p> <p>Our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Environmental Officer, Senior Vice President and Chief Operational Excellence and Safety Officer and Capital Planning Management Committee all have responsibility for both assessing and managing climate-related risks and opportunities, on a more frequently than quarterly basis.</p> <p>CEO has overall responsibility for creating, planning, implementing and integrating the strategic direction of the company. Integration of climate-related issues and strategy to mitigate such risks into overarching company plans is integral to the success of the business. Climate-related responsibilities are assigned to this position because the CEO is accountable for the long-term sustainability of the business.</p> <p>CFO leads the Finance and Operational Services teams, including responsibility for all aspects of financial management and strategy, including directing finance strategy, investor relations, ESG, treasury, financial planning, accounting, internal audit, risk management, regulatory compliance, and control functions. The CFO reports directly to the CEO, as well as manages the ESG efforts and position, under Investor Relations. Climate-related responsibilities are assigned to this position because the CFO is responsible for the financial sustainability of the company and integration of climate-related risk and resiliency are imperative to long-term sustainability.</p> <p>COO has overall responsibility for creating, planning and integrating the strategic direction of the business including oversight of advancement of technology within operations to improve effectiveness. Climate-related responsibilities are assigned to this position because the COO is responsible for our operations meeting current/future capacity requirements and having the resiliency to withstand climate-related impacts. This position reports to the CEO.</p> <p>Chief Environmental Officer is responsible for Environmental Leadership and oversight of activities directly related to the management of climate-related risks. This includes the advancement of research and development, water quality, and technology to improve effectiveness; compliance with requirements in multiple media (including drinking water, wastewater, air, and waste), environmental stewardship, and oversight of the Central Lab that analyzes 80,000+ drinking water samples per year; and helping to ensure that our operations meet current/future capacity, water quality requirements, and have resiliency to withstand climate-related impacts. The Chief Environmental Officer shapes the organizational Environmental Leadership mission, vision, and targets for American Water's employees. This position reports to the COO.</p> <p>Senior Vice President and Chief Operational Excellence and Safety Officer is responsible for leading the Operational Excellence efforts, which are helping to support the business' efforts in achieving growth and operational efficiency in Safety, Meter Operations, and Engineering. An example of the overlap of climate-related issues and Operational Excellence is the portfolio wide initiative to implement Advance Meter Infrastructure (AMI) which interconnect with customer applications to assist in conservation measures, usage tracking and increased communication with customers regarding their use of water resources. This position reports to the COO.</p>	

Recommended Disclosure	Page Number
<b>Strategy</b>	
<b>a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term.</b>	<b>95–99</b>
<p><a href="#">Climate Variability, Why It Matters</a>; <a href="#">Climate Variability, Our Approach</a>; <a href="#">2019 CDP Response</a>; <a href="#">2020 CDP Response</a></p> <p>Short-Term (0–1yr): American Water tracks, monitors, and studies extreme weather events on an on-going basis and is routinely taking action in this area to provide safe, reliable, and consistent water and wastewater services to our customers. We are also active in conservation activities with our customers, with an eye on the potential impact related changes in water supply and usage will have on our operations. We commit approximately \$1.6 billion annually to capital investment, and approximately 8% of our total capital investment, to increasing the resiliency of our assets.</p> <p>Medium-Term (1–5yrs): American Water updates System Master Plans, through Capital Planning Studies, for our water and wastewater systems at approximately 5 to 7 year intervals, and implements projects identified in these plans. Various other specific engineering studies and inspections may also be undertaken. We expect to spend between \$10.3 billion–\$10.5 billion on capital investments from 2021–2025 to address aging infrastructure, reduce or eliminate leaks, improve cyber and physical security, and increase resiliency of critical assets from the impacts of climate variability, including approximately 8% dedicated to resiliency. Capital investment in part go to projects that improve energy efficiency, enhance resiliency of our assets and facilities and enhance water treatment processes to maintain compliance with all environmental regulations. For more information about our medium-term risks, please see our response to question C2.3a in our CDP response.</p> <p>Long-Term: As part of the Comprehensive Planning work, American Water examines longer term climate related impacts such as drought and flooding recurrence intervals, increasing storm intensity and related grid power outages, and the impact of heat/cold weather patterns on critical assets and water use. Where significant impact from climate-related droughts, flooding, sea level rise or natural disasters drive major capital improvement upgrade projects, the risks will be evaluated on a longer time period such as 25–50 years. We expect to spend between \$22 billion and \$25 billion on capital investments from 2021 to 2030 to address aging infrastructure, reduce/eliminate leaks, improve cyber/physical security, and increase resiliency of critical assets to climate variability. For more information about our long-term risks and opportunities, please see our CDP response to questions C2.3a and C2.4a.</p>	
<b>b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b>	<b>95–99</b>
<p><a href="#">Climate Variability, Why It Matters</a>; <a href="#">Climate Variability, Our Approach</a>; <a href="#">2019 CDP Response</a>; <a href="#">2020 CDP Response</a></p> <p>Revenues: American Water compiled revenue for our inclining block states (CA and NY), combined that with our Revenue Stabilizing Mechanism states (NY, CA, and IL) and added in the fixed meter charges from our other regulated states, which resulted in approximately 47% of our customers having adaptive rates—related to the risks and opportunities provided.</p> <p>Capital Expenditures: Acute physical climate risks such as extreme weather events pose increasing risks to American Water. American Water is tasked with addressing potential risks posed by aging infrastructure and the increasing impacts of climate variability to continue providing safe and reliable water and wastewater services to customers. American Water expects to spend between \$22 billion and \$25 billion on capital investments from 2021 to 2030 to address issues, including climate-related risk. A specific example of an action taken includes an investment of \$4 million on 32 generator projects across 12 states in 2020. In addition, as the need for standby generators is crucial during power loss events, we have entered into agreements to help improve fuel deliveries for emergency use. These projects, and the other capital investments made by American Water improve asset resiliency and the reliability of water service to customers during an emergency. We anticipate our investment budget will continue to rise as infrastructure ages, climate-related risks are realized, new regulations are promulgated and growth continues.</p> <p>Direct Costs: Climate variability has impacted certain treatment facilities located in flood prone areas. As the need for standby generators is crucial during power loss events, we have entered into agreements to facilitate fuel delivery for emergency use. Additionally, to prepare for such events American Water maintains Emergency Response Plans.</p> <p>Indirect Costs: The increased cost of treatment and pumping due to changes in input pricing and loading from other external factors presents financial and strategic risk. The cost of electric energy for water treatment, wastewater treatment and pumping operations (about 1 million MWh/year) represents a significant portion of our annual operations budget. Increased fuel and power costs may cause changes to the operational efficiency profile by limiting financial resources available.</p> <p>Capital Allocation: Asset replacement to improve efficiency, meet regulations, provide supplies and reduce the loss of “High Risk Assets” are core drivers for capital allocation and investment. Each of these core drivers can be impacted by climate variability such as water supply quantity, impacts to water quality or the need to harden assets due to increased storm activity and severity. Examples of capital allocated for improved resiliency include increased flood wall protection, reservoir projects in Maryland and Missouri, increased installation of standby power systems, redundancy and interconnections with adjacent water purveyors.</p>	

Recommended Disclosure	Page Number
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Acquisitions and divestments: A component of evaluating potential acquisitions is the ability to integrate adjacent systems and assets into our current infrastructure. Many acquired systems are under distress and have not been maintained. Identifying inefficiencies early on through due diligence review, many with a direct impact on GHGe, such as aged leaking water mains and inefficient assets (e.g., pumps) are factored into our acquisition strategy. These approaches not only allow for a reduction in the existing carbon footprint through more efficient operations, but also improve customer service and satisfaction. With increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, and the need for increased infrastructure investment, many community water and wastewater systems may be strained to meet the increasing standards of operation. American Water considers the impacts of climate-related risks during system upgrade and project designs, and business development opportunities.

Access to Capital: Traditional means of access to capital are currently not impacted. American Water has sufficient access to capital for the anticipated risk mitigation activities and capital improvement plan.

Liabilities: Our capital program planning process examines and includes projects such as flood walls that mitigate related liabilities due to climate related risk. The planning process integrates several scoring factors including identification of high-risk assets that can be impacted by several factors, including climate related risk. Reduction of risk and hardening of high-risk assets reduces liabilities.

**c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

**89–90, 99**

[Water Infrastructure, Assessing Infrastructure Risks; Climate Variability, New Jersey American Water Climate Impact Assessment; 2019 CDP Response; 2020 CDP Response](#)

American Water reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, American Water will use this information in our CPS and Master Plans, which assess the climate risk and resiliency of our water and wastewater systems over short, medium and long-term time horizons (0–25+ years). Our CPS process enables us to evaluate and predict how water supplies, water quality and water demands may change over time. We also consider how increasing intensity and frequency of extreme weather events may affect our infrastructure and assets, which helps determine any updates or changes to our design standards. We enhanced our CPS process in 2019 to include RRAs, which will be updated on a five-year cycle.

American Water performs Comprehensive Planning Studies with Risk and Resiliency assessments which incorporate climate-related scenario analysis and uses information from climate model scenarios where applicable to identify and select facility upgrade projects. American Water performed a sea level rise (SLR) impact study in NJ using available Light Detecting and Ranging (LiDAR) topographic data, created a GIS base map of the facility and superimposed the Federal Emergency Management Agency (FEMA) flood mapping data. This coastal facility was selected for the assessment due to its critical operation and vulnerability to flooding. Then, we compared the FEMA mapping with other inundation mapping layers that were available from National Oceanic and Atmospheric Administration (NOAA). This information was used to identify the extent of flooding under different scenarios (category 1 and 2 hurricanes plus SLR) and time horizons (2030 and 2070). Precipitation and temperature scenarios were based on the regional information gathered from the National Climate Assessment, as well as other climate variability planning studies that have been conducted on a state-wide scale in NJ. The National Weather Service Sea, Lake and Overland Surges from Hurricanes (SLOSH) model was also used to model storm surge. We also examined temperature increases projected under RCP 2.5, RCP 6 and RCP 8.5. In each component of the analysis, we bracketed the impact to low impact and high impact scenarios. The SLR study in NJ was used to develop a long-term plan for the facility assessed. Immediate/short-term improvements were identified, and a long-term strategy was developed. The long-term strategy includes expanding facilities outside of the area of concern to reduce the critical dependence on this facility.

The Comprehensive Planning work identifies needed system improvements, which drive financial planning and business strategy. To date, we have examined the risk of sea level rise for one facility in NJ and use this methodology as an approach for future studies. The risk of flooding is routinely assessed for all facilities in FEMA flood zones during the Master Plan process. We continue to follow climate science modelling to develop better ways to model the impacts from increasing storm intensity. These studies will continue to influence where we build new facilities and how the facilities are designed.



Recommended Disclosure	Page Number
<b>Risk Management</b>	
<b>a. Describe the organization's processes for identifying and assessing climate-related risks.</b>	<b>95–99</b>
<a href="#">Climate Variability, Why It Matters</a> ; <a href="#">Climate Variability, Our Approach</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<p>Climate-related risks and opportunities are manifested throughout American Water. Potential risks and opportunities to water supplies and water wastewater system assets, including climate-related risks, are identified and assessed through a disciplined process that includes the Company's Asset Management and Comprehensive Planning process.</p> <p>The planning process incorporates various tools including system master plan studies, AWWA J100 standard risk and resiliency assessments, the use of computerized hydraulic models, pipeline condition assessment studies and wastewater system evaluation programs. Potential risks to service delivery, environmental compliance and safety, and financial risk are assessed. Potential risks are logged and tracked on system risk registers. Climate risks evaluated may include increased storm severity and frequency; duration of power outages; changes in precipitation trends impacting stream flows, aquifer recharge, flood and drought occurrences; water quality impacts due to shifting temperature patterns, increased rainfall runoff intensity; and other natural hazards. Opportunities, such as flood resiliency, changes in treatment technology, and improved energy efficiency are also identified through the planning process.</p> <p>Climate related policy risks are also identified through our government affairs and environmental compliance oversight process. For example, the Commonwealth of Pa amended the state code in 2018 (Section 109.708a) requiring community water suppliers operating in PA to certify the development of an Uninterrupted System Service Plan (USSP). The USSP is a feasible plan to consistently supply adequate quantity of drinking water during emergency situations.</p>	
<b>b. Describe the organization's processes for managing climate-related risks.</b>	<b>95–99</b>
<a href="#">Climate Variability, Why It Matters</a> ; <a href="#">Climate Variability, Our Approach</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<p>Understanding, tracking, and responding to the enterprise and local impacts of climate-related risks and opportunities are critical to implementing targeted adaptation and mitigation plans that will bolster climate resiliency, efficient operations, and GHGe reductions.</p> <p>The company has an Enterprise Risk Management process which includes an Asset Risk Assessment and Management process focused on the company's assessment and tracking of the highest potential risks. The asset risk register is compiled at an individual state level and rolled up into a corporate view. State asset risk registers are used to manage actions to mitigate potential risks to service and environmental compliance. Mitigation of potential asset risks is through the Capital Improvement Program (CIP) and refinements to emergency response and business continuity plans.</p> <p>Our Board of Directors' Safety, Environmental, Technology and Operations Committee receives, reviews and discusses with executive management quarterly briefings on risks from natural hazards, such as drought and loss of supply due to extreme weather events and natural disasters. The Safety, Environmental, Technology and Operations Committee monitors and reviews operational risk exposure, mitigation strategies and processes for assessing business continuity risks, including asset hardening, resiliency and contingency plans. This includes climate-related risks such as more frequent extreme weather events and increased severity of natural disasters, and the resulting resiliency investments and efforts. Operational risks cascade up from the company's management and its Enterprise Risk Management Committee to the Audit, Finance and Risk Committee and the Board.</p> <p>Substantive financial risk is defined as anything \$50 million or more. Such risk is elevated to the Enterprise Risk Management Committee and managed using a heat map that defines risk by financial consequence and event likelihood. Three categories of substantive financial consequence are (1-Manageable) 0&lt;\$50m, (2-Major) \$50–\$100m and (3-Critical) &gt;\$100m. Climate-related risks are evaluated as stand-alone, such as drought on water supplies, and as cross cutting risks where non-climate related risks, such as aging infrastructure, in combination with climate-related risks, such as flooding or increase threat of power outages, may amplify overall risk likelihood. Cross cutting risks may drive capital project investment decisions especially for facilities that have an expected service life of 25 or more years.</p>	
<b>c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b>	<b>95–99</b>
<a href="#">Climate Variability, Why It Matters</a> ; <a href="#">Climate Variability, Our Approach</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<p>In our direct operations, our processes for identifying, assessing, and responding to climate-related risks is integrated into our multi-disciplinary company-wide risk management process. The impact of climate-related risks on critical assets is considered in combination with other potential risks including the risks posed by aging infrastructure.</p>	

Recommended Disclosure	Page Number
<b>Metrics and Targets</b>	
<b>a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</b>	<b>105–107, 124–126</b>
<a href="#">Climate Variability, Our Performance</a> ; <a href="#">Energy and Emissions, Our Performance</a> ; <a href="#">ESG Data Summary</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<b>b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</b>	<b>124–126</b>
<a href="#">Energy and Emissions, Our Performance</a> ; <a href="#">ESG Data Summary</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<b>c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</b>	<b>105–107, 124–126</b>
<a href="#">Climate Variability, Our Performance</a> ; <a href="#">Energy and Emissions, Our Performance</a> ; <a href="#">2019 CDP Response</a> ; <a href="#">2020 CDP Response</a>	
<p>Energy &amp; Emissions: We have committed to reducing our absolute scope 1 and scope 2 GHG emissions by more than 40% by 2025 from a 2007 baseline. Our GHG emissions as of 2020 were 545,111, meaning we achieved approximately a 36% reduction from our base year, and are approximately 90% of the way toward our goal.</p> <p>Climate Variability/Water Supply Resilience: By 2030, increase our water system resiliency to respond to more extreme events (measured as a 10% increase in Utility Resilience Index (URI) from the 2020 baseline weighted average). By committing 8% of our total capital investment on resiliency projects each year and continuing to strengthen our workforce through incident management training and emergency preparedness, we will be able to increase our ability to absorb and/or cope with an incident and return to normal operations.</p> <p>Water Use &amp; Efficiency: By 2035, continue to meet customer needs while saving 15% in water delivered per customer compared to a 2015 baseline. We will achieve this target by expanding best practices from existing conservation programs, utilizing innovative technologies, investing capital to improve system performance to reduce water loss and non-revenue water while minimizing customer rate impacts, and continuing to benefit from the ongoing national trends of declining residential water use related to fixtures and appliances.</p>	



AMERICAN WATER

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# ATTACHMENT 2



AMERICAN WATER

# 2020 Inclusion & Diversity Report



Beautifully Different



# We are Beautifully Different

At American Water, we regularly reflect on our values and our culture. We're all different, and having that diversity across our organization is what makes us a great company. We're stronger because we have different ideas, viewpoints, experiences and backgrounds. Most importantly, we embrace and expect one another to respect and value those differences.

We believe that inclusion and diversity are vital elements to our success. Creating an environment where everyone can bring their whole selves to work is essential for the emotional safety of our employees. We are more successful when our workforce reflects the communities that we serve. We have come a long way, and we know there is more work to do.

Building open and respectful dialogue, listening to different perspectives and learning from one another is not always easy to do. We are committed to using our collective voices to continue to get better at building a truly inclusive work environment. That is what an inclusive organization looks like — one that is constantly striving to be better for the benefit of everyone.

Our future is shaped by effective leadership creating a safe, healthy and inclusive organization with a highly skilled and diverse workforce. Every employee is empowered to contribute to a workplace where we feel safe, included, and treated with respect and dignity.

**Thank you for taking the time to learn about how we are Beautifully Different.**



**Walter Lynch**  
President and CEO

A handwritten signature in black ink, appearing to read "Walter Lynch".



**Melanie Kennedy**  
SVP, Chief Human  
Resources Officer

A handwritten signature in black ink, appearing to read "Melanie Kennedy".



**Valoria Armstrong**  
Chief Inclusion Officer  
and VP, External Affairs

A handwritten signature in black ink, appearing to read "Valoria Armstrong".





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# About American Water

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. We employ more than 7,000 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to 15 million people in 46 states.

American Water has worked hard to embed Inclusion and Diversity (I&D) into the fabric of our culture, and we have been recognized for the progress we have made. We are proud that 2020 marked the second consecutive year that American Water has been included in the annual Bloomberg Gender-Equality Index; one of 325 companies across 50 industries, representing 42 countries and regions. In 2020, we were honored as one of America's Top Corporations by the Women's Business Enterprise National Council for our supplier diversity program that reduced barriers and drove growth for women-owned businesses. We were also named Noteworthy Company by DiversityInc's Top 50 Companies for our commitment to diversity, equity and inclusion.

Additionally, American Water was the recipient of the 2020 Secretary of Defense Employer Support Freedom Award. It is the highest recognition given to employers by the U.S. government for their support of employees serving in the National Guard and Reserve. American Water was also recognized among the top 100 Best for Vets Employers by Military Times for a third year in a row.

American Water provides safe, clean, affordable and reliable water services to our customers to help keep their lives flowing. Thank you for taking time to learn more about who we are and why we are so passionate about building a diverse and inclusive culture that reflects the communities we serve.



*President and CEO Walter Lynch signs CEO  
Action for Diversity & Inclusion Pledge*



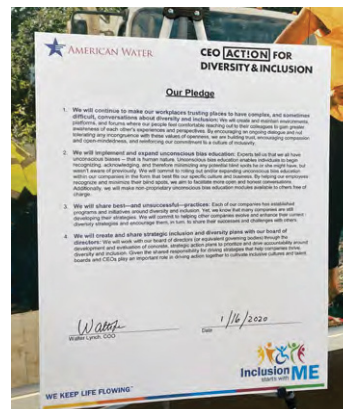
# Our Pledge

American Water demonstrates its commitment to inclusion and diversity by hosting an annual Inclusion Day every January. This day provides conversations and activities exploring how we foster open, fair, inclusive and respectful ways of working together.

Across the business, employees join in by taking part in podcasts, events and in-depth conversations on the power and impact of inclusion and allyship.

During the company's inaugural Inclusion Day in January 2020, President and CEO Walter Lynch signed the CEO Action for Diversity & Inclusion Pledge, committing American Water to continuing to advance inclusion and diversity in the workplace. Employees around the country also signed American Water's Inclusion & Diversity Statement.

## Beautifully Different





# Where We Are Today



## Our Workforce

**We are a diverse organization with a commitment for continuous improvement**

- Our total workforce population is more than 7,000 employees, with our overall diversity at 44.0%.
- We define overall diversity as female, minority, military veteran, military spouse, individual with disability and LGBTQ+ who self-identify.

## Employee Culture Survey: what our employees shared

- “American Water is a place that is proven to care about me and its employees and back it up with actions, not just words. Their proven commitment to diversity and inclusion is second to none.”
- “AW cares about their employees and ensures the employees are working safely on a daily basis.”
- “While no organization is perfect, AW has the right intent behind its focus on creating/maintaining a healthy, positive and inclusive workplace culture.”
- “We are committed to continuing to cultivate a culture of inclusion.”

# Where We Are Today

## Our Suppliers

### We are committed to partnerships with diverse business enterprises

- Our diverse business spend during 2020 was greater than \$214M.
  - 2020 goal was 23%; actual = 24%
- Women-owned businesses represent 5.3% of our total spend.
- We encourage prime suppliers to actively engage the diverse supplier business community and submit quarterly reports related to subcontracting with diverse businesses.

## Our Communities

### Investments and involvement to build stronger communities

- The primary focus of the American Water Charitable Foundation is to support employees in their own charitable endeavors, provide stronger support for disaster relief efforts and provide funding for initiatives related to clean water, conservation, education and community sustainability.
- Since its inception, the foundation has donated more than \$7.2 million to support programs and organizations that are important to our employees and our communities.
  - 2020 matched funds for employee volunteer hours = \$90,000
  - 2020 matched funds for employee monetary donations = \$195,000
- The American Water Charitable Foundation established the “Giving Back is Beautifully Different” campaign and provided a \$10,000 donation to the Equal Justice Initiative. Additionally, the foundation provided every employee’s myGiving account with \$10 in foundation funds and \$1,000 to 10 random employees to in turn, donate to an eligible charity of choice. Over 2,100 employees participated, reminding us all of how beautiful it is to be different.
- American Water and the American Water Charitable Foundation provided \$100,000 to Feeding America to help food banks across the country support individuals and families impacted by COVID-19.
- American Water sponsors workplace giving campaigns for two organizations focused on helping communities around the world — United Way and Water For People. Together, American Water and employees raised:
  - 2020 United Way = \$359,000
  - 2020 Water for People = \$214,800

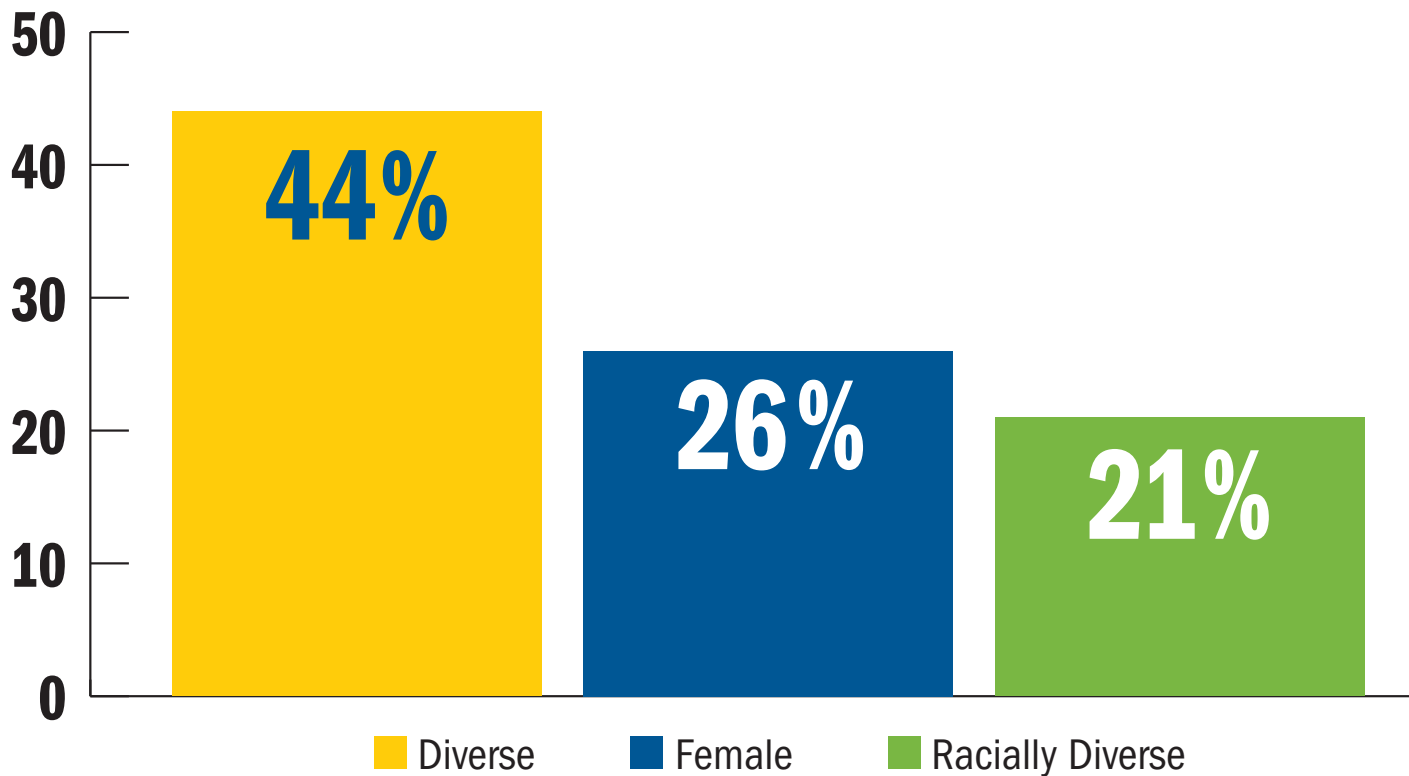




# Overall American Water Diversity

American Water has a strong commitment to employee inclusion and diversity so that we reflect the communities we serve. The data below represents the diversity of our workforce through employee self-identification. We strive to create an environment where employees are comfortable with voluntarily self-identifying. The strength of our company is reflected in a workforce that reflects the communities we serve.

**Workforce Population: 7,042**



As of 12/31/2020

## Beautifully Different



### By Self-ID

Disability  
**1.6%**

Military Veterans  
**6.1%**

Military Spouse  
**0.1%**

LGBTQ+  
**0.7%**

Women  
**26%**

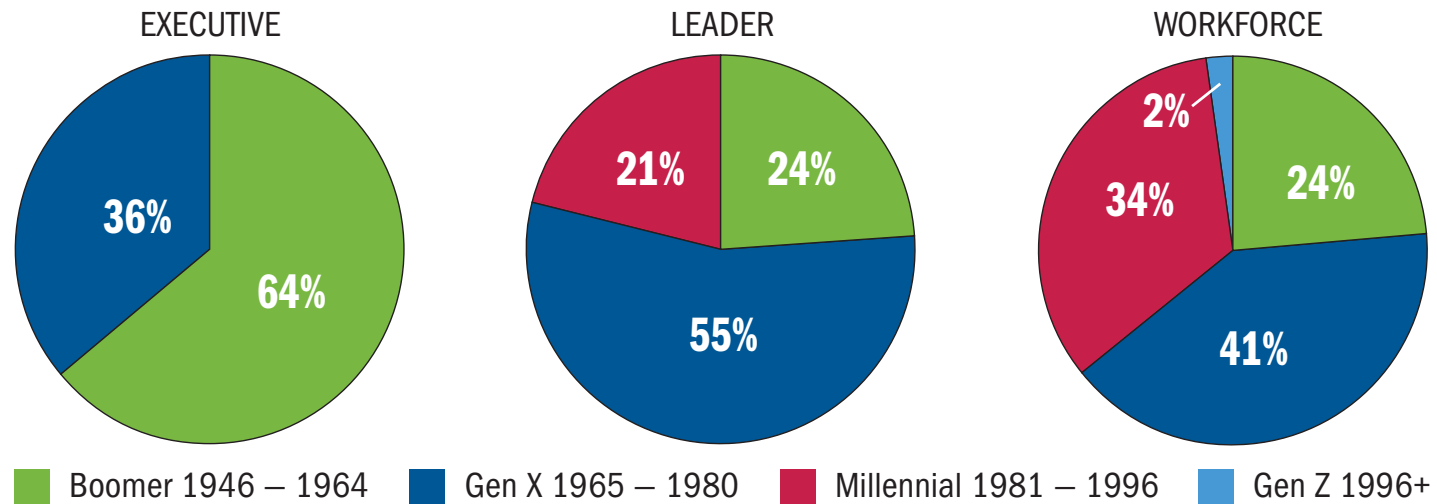
Racially Diverse  
**21%**



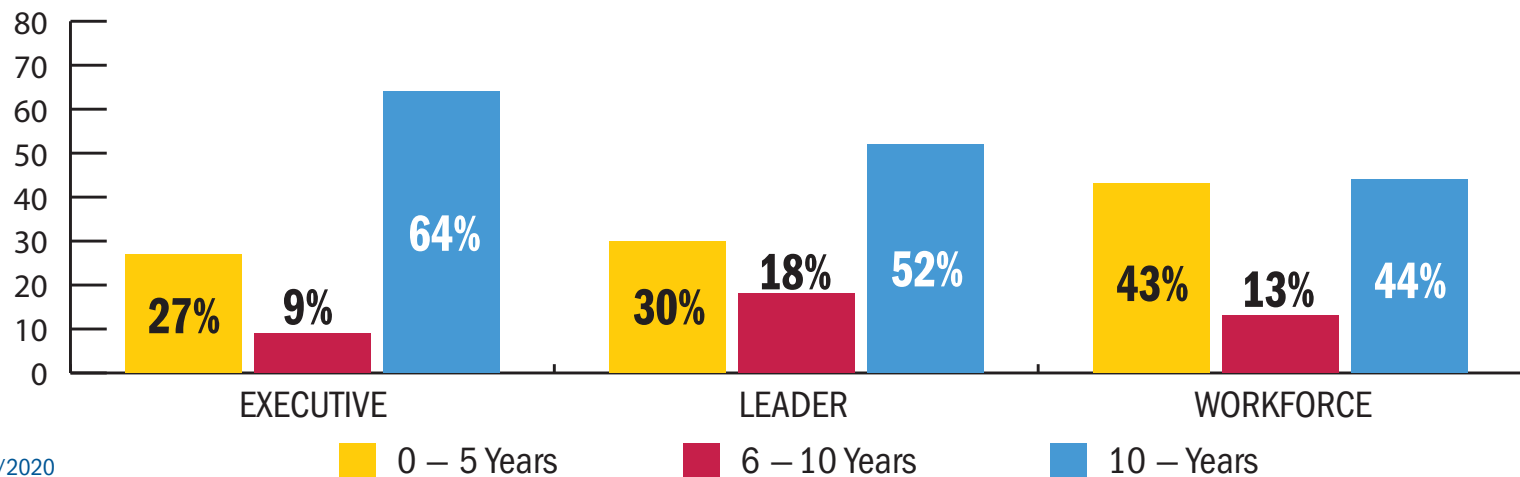
# A Diverse Workforce from Different Perspectives

Diversity of our workforce is important as we evaluate generations and tenure.

## By Generation



## By Tenure

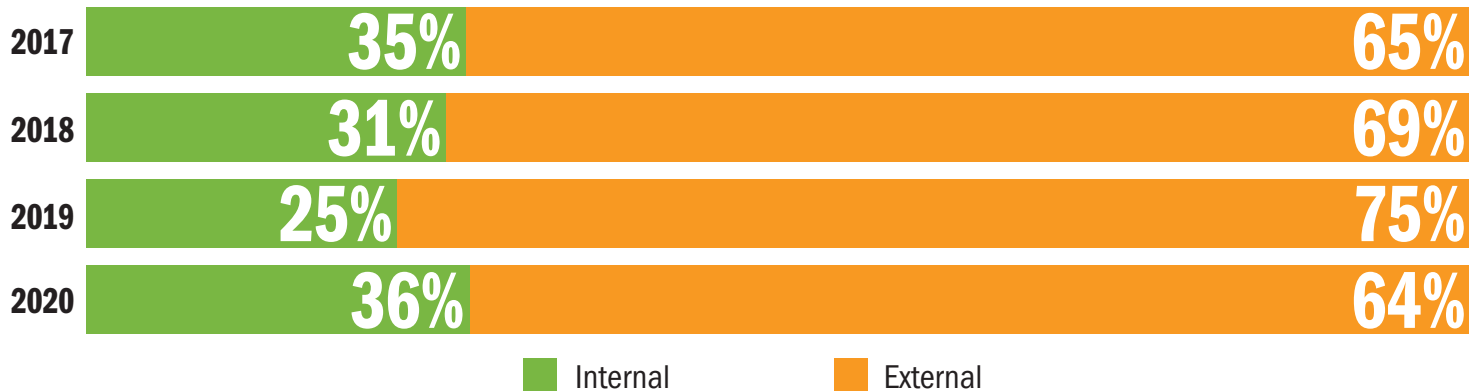


As of 12/31/2020

# A Diverse Workforce from Different Perspectives

American Water partners with various organizations for insights to best practices and opportunities to increase our diverse candidate pools. Examples of partnerships include American Corporate Partners (ACP), Disability:IN, Getting Hired, Military Spouse Employment Partnership (MSEP), Out & Equal Workplace Advocates Paradigm for Parity® coalition, and more.

## By Hiring Source (Internal transfers and promotions vs. external hiring)



**Overall Company Diversity 44.0%**

This graph depicts the diversity – based on employee self-identification – of our transfers and promotions and our new hires and rehires.

**New Hire/Rehire 51.5%**

**Transfer/Promotion 58.9%**

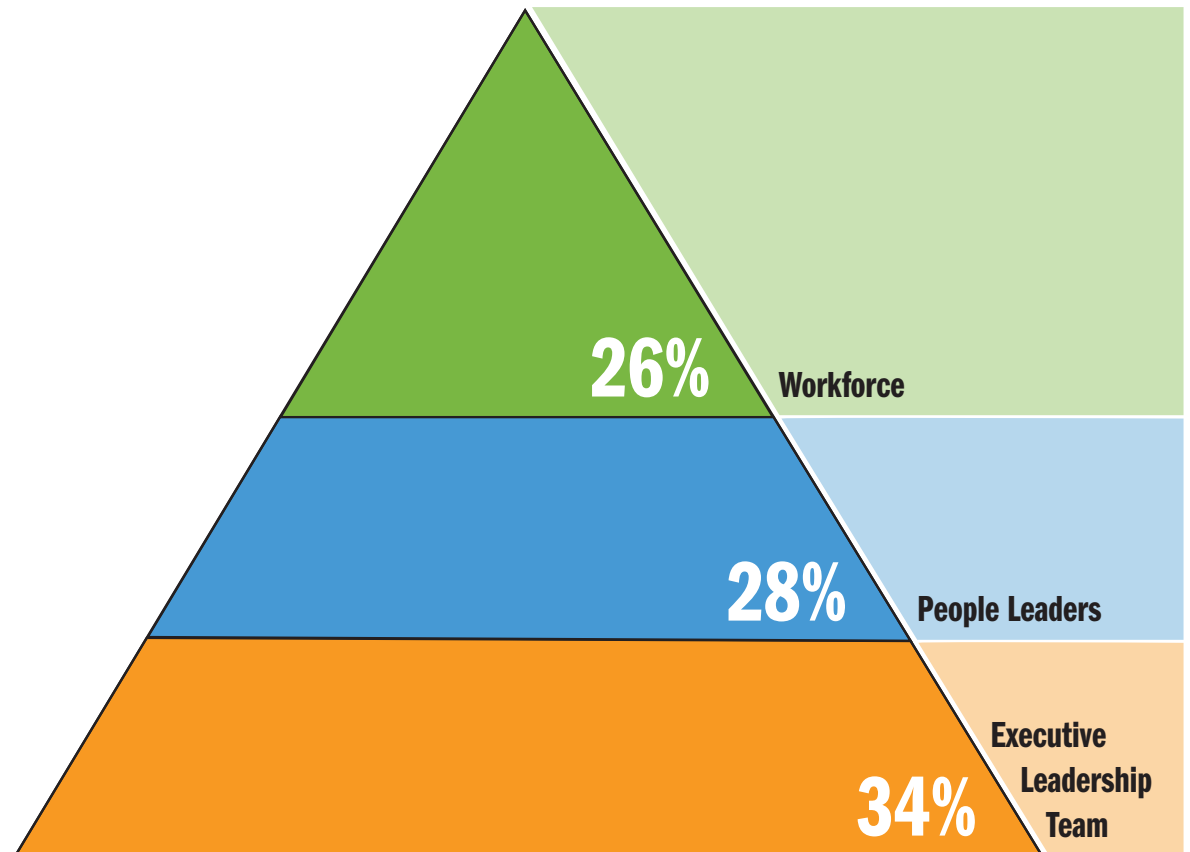
As of 12/31/2020

# Diversity Metrics – Women

We recognize the benefits of increasing our female representation in the workforce and are committed to bridging the gender gap. Our recruitment and retention strategies include a holistic view of the areas that can have the greatest impact: evaluating the employee value proposition (EVP), auditing internal processes for inclusion, updating our job descriptions to be gender neutral and supporting authentic leadership to improve women's representation in leadership roles. We partner with the Paradigm for Parity,<sup>®</sup> a coalition of business leaders dedicated to addressing the corporate leadership gender gap. The coalition is made up of CEOs, senior executives, founders, board members and business academics who are committed to achieving a new norm in the corporate world: one in which all employees, regardless of gender, have equal power, status and opportunity.

## Women at American Water

26% of AW's overall workforce is female.

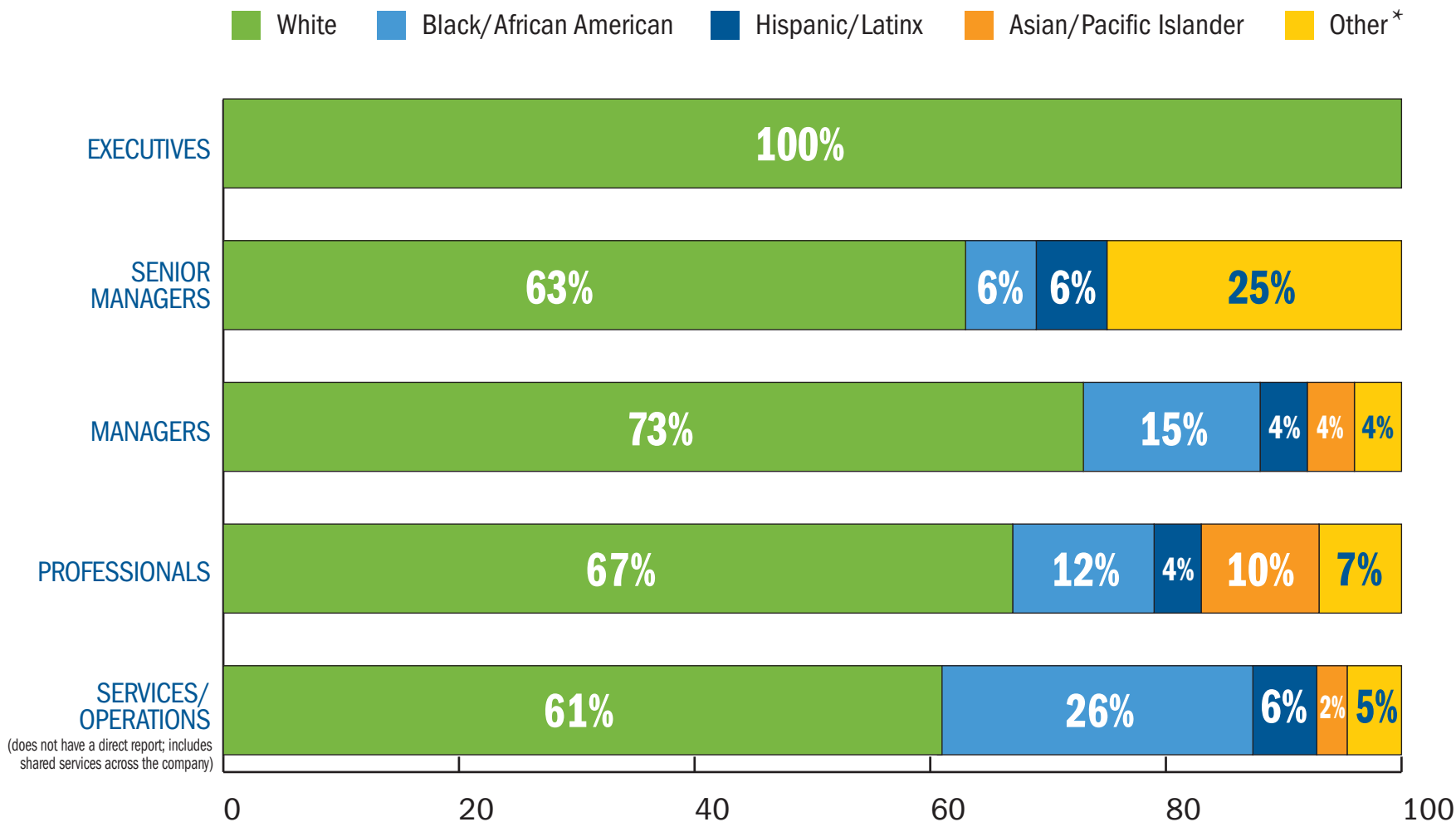


As of 12/31/2020



# Diversity Metrics – Women

DISTRIBUTION OF AMERICAN WATER FEMALE EMPLOYEES BY RACE, ETHNICITY AND CAREER LEVEL



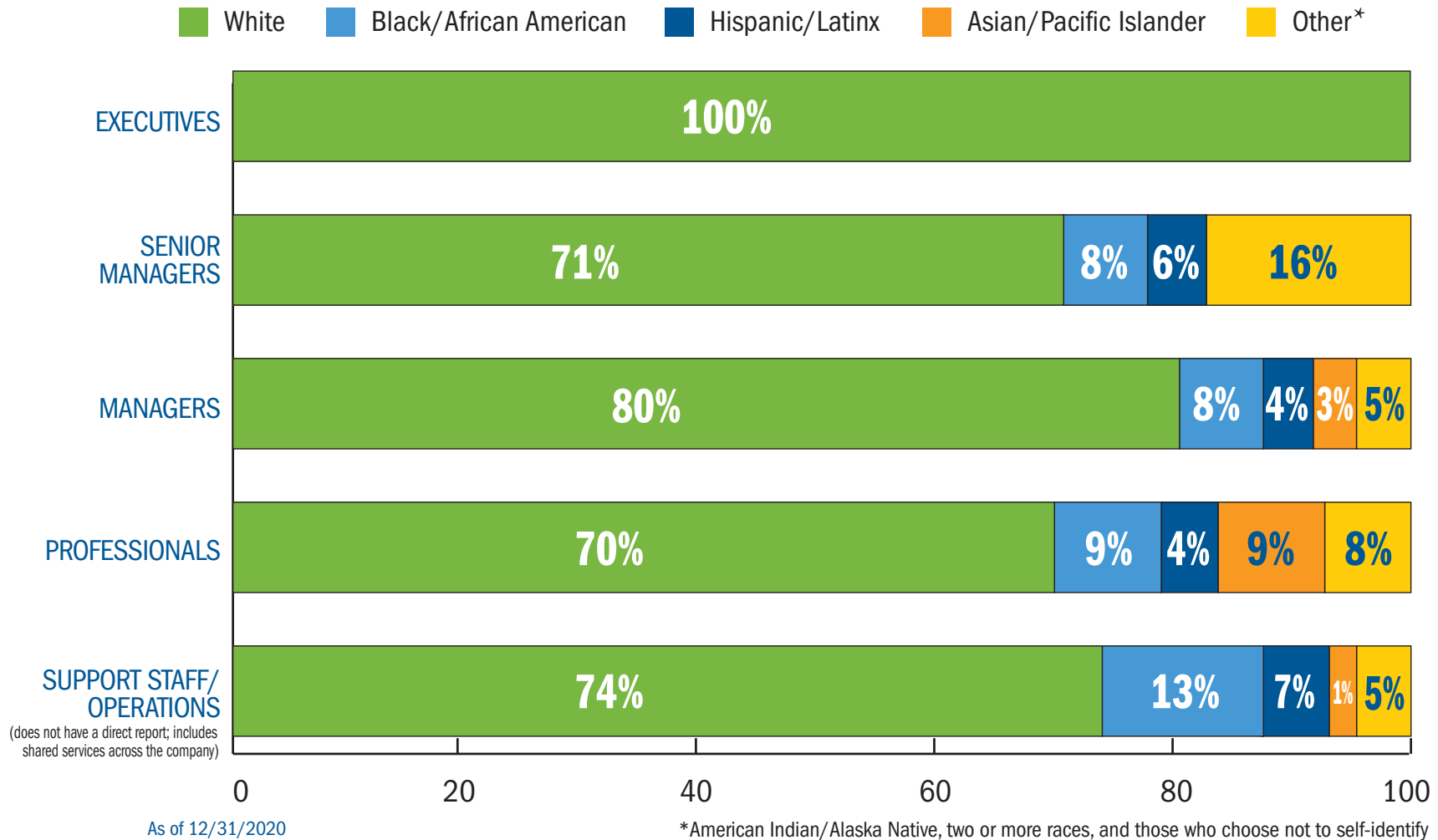
As of 12/31/2020

\*American Indian/Alaska Native, two or more races, and those who choose not to self-identify

# Diversity Metrics – Race and Ethnicity

## DISTRIBUTION OF ALL EMPLOYEES BY RACE, ETHNICITY AND CAREER LEVEL

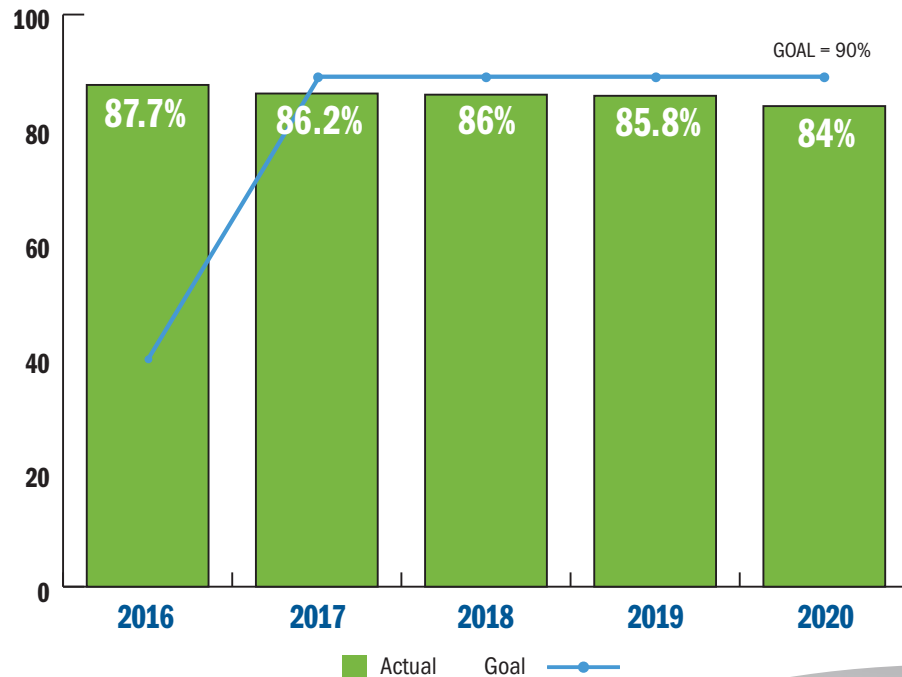
American Water is committed to building a workforce that reflects the communities we serve. We know that diversity across our company will create stronger teams, better ideas, innovative ways of doing our work, long-term sustainability and ultimately an organization that provides the best service to our customers. We recognize we're not where we need to be. That is why our goal for 2021 is to increase minority and female representation at all levels of the company.



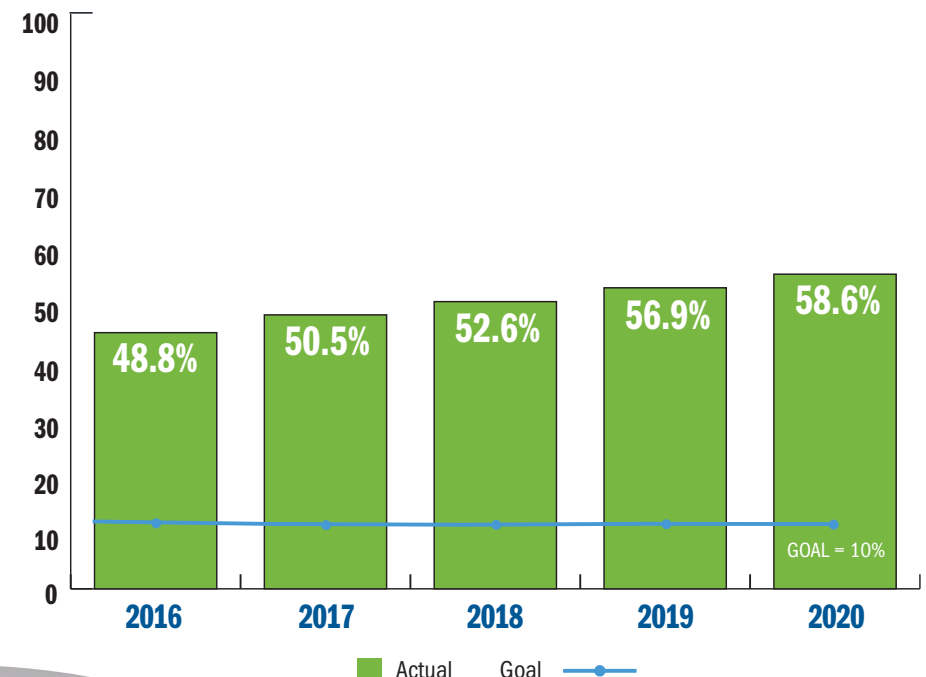
# Recruitment Metrics

A core focus of ours is diversity in recruitment and retention of employees. Diversity is a focus on every job requisition and candidate pool. We have partnered with several organizations (Hiring Our Heroes, Getting Hired, Hispanic/Latinx Professionals Association, Hirepurpose) to increase our diversity and pay specific focus to job opportunities that are non-traditional for diverse candidates.

## Percentage of Requisitions with Diverse Candidate Pool



## Percentage of Diverse Transfers/Promotions



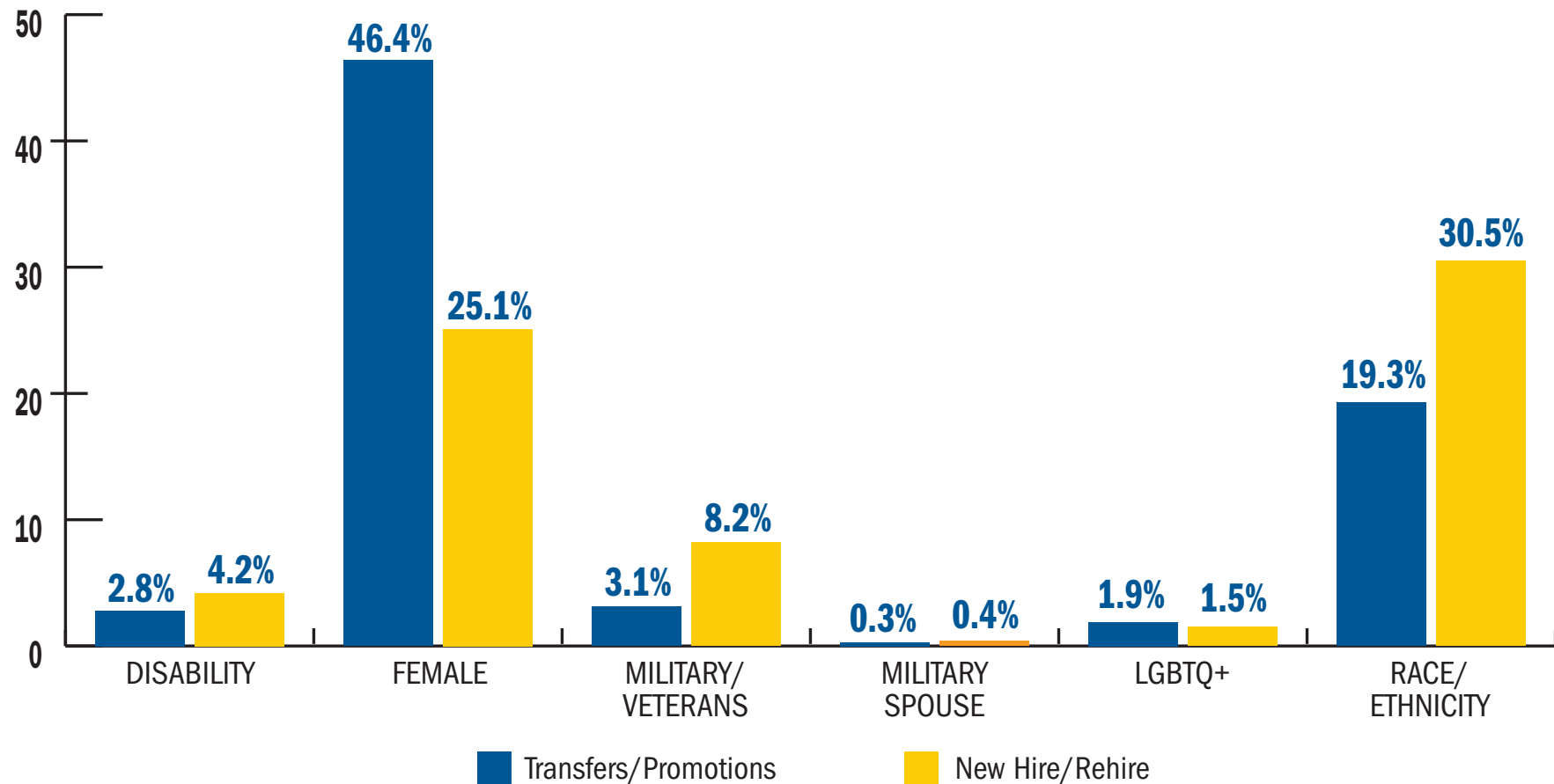
As of 12/31/2020





# Staffing Diversity

This graph depicts the diversity – based on employee self-identification -- of our transfers and promotions and our new hires and rehires. The blue columns represent the elements of diversity in our 2020 transfers and promotions. The yellow columns represent the elements of diversity in our 2020 new hires and rehires. Each element of diversity is not exclusive, so an individual that is disabled and female may be reflected in both categories.



As of 12/31/2020

# American Water is Committed to Fair Pay

## Pay Gap

**Definition** Compares the median pay of one group of employees to another group of employees, such as men to women. An unadjusted pay gap does not account for differences in job, level, experience, performance, etc.

**Example** Company A conducted a pay gap analysis and determined women in their organization made \$.82 for every \$1.00 for men. Through additional analysis, it was determined that a contributing factor to the pay gap is Company A has fewer women in management-level roles. Company A is committed to remediation efforts and closing this gap.

**Why do we measure?** In the U.S. for 2020, women made 81 cents for every dollar a man made. This is called the gender pay gap. Our goal is to ensure that everyone is paid equitably. *Source: PayScale - the State of the Gender Pay Gap 2020*

## Pay Equity

Compares the pay of employees doing work of similar value to the company and ensures impartiality and unbiased practices in pay decisions. Valid reasons for pay differences are accounted for — such as years of experience, individual performance and specialized skillset.

Frank and Alex have the same qualifications and were hired into the same job on the same day, but Frank makes \$2/hour more than Alex. This is a pay inequity.

To ensure that we provide equal pay for equal work.

American Water is committed to fair pay. In accordance with best practices, American Water audits both pay gaps and pay equity on an annual basis. We use the information from these audits to correct inequalities and update processes to allow for equal pay, development and advancement opportunities for all employees. The findings of these audits are reviewed annually with our Board of Directors and Executive Leadership Team, along with a plan of action to close identified gaps.

Pay gaps could be caused by pay inequities or other issues, such as promoting one group of people at higher rates than another, or promoting one group of people into higher-level roles than another.

# 2020 Employee Net Promoter Score

The employee Net Promoter Score (eNPS) allows employers to measure and get a snapshot of employees' willingness to be ambassadors for the company by advocating employment at the company. This score is determined from our annual employee survey. During 2020, 4,984 employees completed our myVoice Culture Survey.

Based on responses to the question "On a scale of 0-10, how likely are you to recommend American Water as a place to work?" employees are segmented into **Promoters**, **Passives** and **Detractors**.

eNPS equals % **promoters** minus % **detractors**

Scores range from -100 to 100



## Promoters

Employees who are enthusiastic about their work and the company, and are likely to refer others



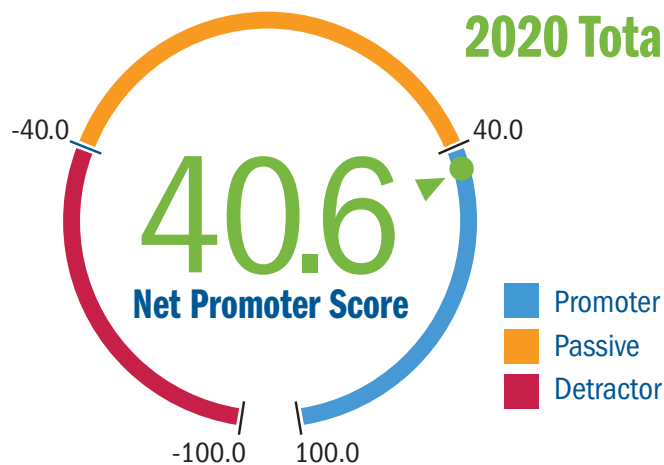
## Passives

Satisfied but unenthusiastic employees who are vulnerable to accepting other offers



## Detractors

Unhappy employees who may impede growth through negative word of mouth



## 2020 Total Company Employee Net Promoter Score

2019 Total Company Employee Net Promoter Score was 26.0 (5,111 responses).

2020 Total Company Employee Net Promoter Score is 40.6 (4,984 responses).



# 2020 myVoice Culture Survey Results

The 2020 myVoice Culture Survey gives employees another way to share feedback and further engage in our work. The goal is to make year-over-year improvements to enhance the overall culture and employee engagement at American Water.

## What is Employee Engagement?

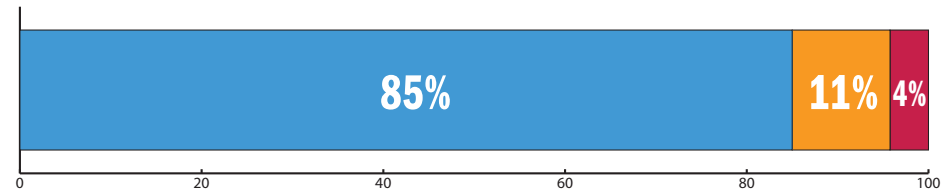
Employee engagement is about how emotionally committed an employee is to American Water and our strategy, vision and values.

Studies of hundreds of organizations have found that five key factors work together to drive employee engagement:

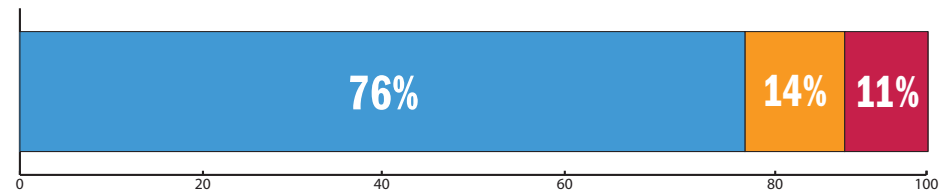
1. **Meaningful Work**
2. **Supportive Managers**
3. **Development Opportunities**
4. **Positive Work Environment**
5. **Trust in Leadership**

Source: Deloitte

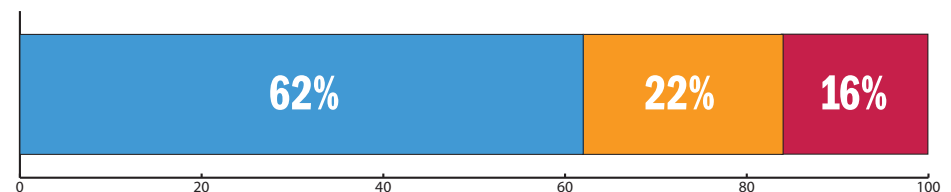
American Water supports a culture of inclusion and diversity.



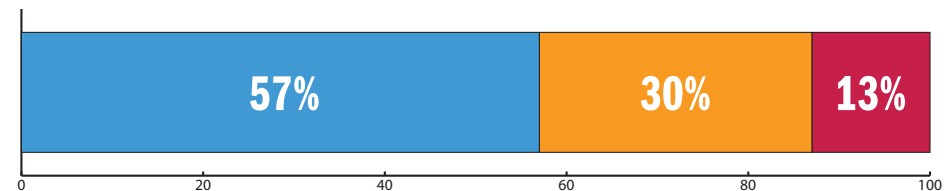
I feel safe expressing my thoughts and ideas within my work group.



People at all levels care about each other at American Water.



American Water celebrates people who try new and better ways of doing things, regardless of the outcome.



Promoter

Passive

Detractor

# Foundations of Inclusion and Diversity

“At American Water, we are all different, and that’s a beautiful thing. Our diversity is our strength and woven into everything we do at our company. We are committed to listening, learning and doing our part to contribute to a more just, inclusive and beautifully different society.”

- Walter Lynch,  
President and CEO



# Benefits and Wellbeing

Our employees are our greatest assets and their overall wellbeing is as important as their physical safety. American Water's health and wellbeing programs aim for employees to go home in the same or better condition than when they came to work. We approach our programs holistically by offering a full spectrum of medical, prescription, dental and vision coverage, plus disability, life insurance, voluntary benefits, health and wellness programs, and much more.

## Benefits

Here are some of our 2020 offerings within our comprehensive benefits plan:

- Medical plans (PPO & CDHP) w/prescription drug coverage, dental, vision
- Holiday, vacation and sick time
- Health savings account (HSA)
- Health care flexible spending account (FSA)
- Dependent care flexible spending account (FSA)
- Voluntary benefits
- Critical illness insurance
- Accident insurance
- Hospital indemnity insurance
- Pet insurance
- Employee assistance program (Carebridge)
- Wellness program
- Commuter benefits
- Life insurance
- Tuition reimbursement program
- 401(k) savings plan with Roth option
- WINFertility -Family Building - Discount & support program
- Employee stock purchase plan

American Water provided temporary medical and emotional health benefits, including paid time-off and emergency leave. The company also supported employees and their families during the uncertainty of the COVID-19 pandemic, providing additional resources such as enhanced well-being support, workplace flexibility, back-up child/elder care, sitter database discounts and academic support.

## myWellness

Our wellbeing program is designed to empower employees (and covered spouses) to improve and/or maintain health by focusing on five pillars of wellbeing (physical, emotional, financial, community and safety). To engage employees in our health and wellness program, 168 employees from across the business are designated as wellness champions. They actively inform their networks of employees on the latest offerings within the program.

## Emotional & Mental Support

The Carebridge employee assistance program (EAP) provides all employees and eligible dependents with up to six free sessions each calendar year for evaluation, short-term counseling and/or referral for behavioral health care issues. In addition, the EAP provides a hub of wellness information and tools to make life more manageable.

Horizon Behavioral Health provides 24/7 care navigation and support for more serious behavioral health needs (including crisis intervention, mental health treatment and substance abuse/recovery support).



# Communications

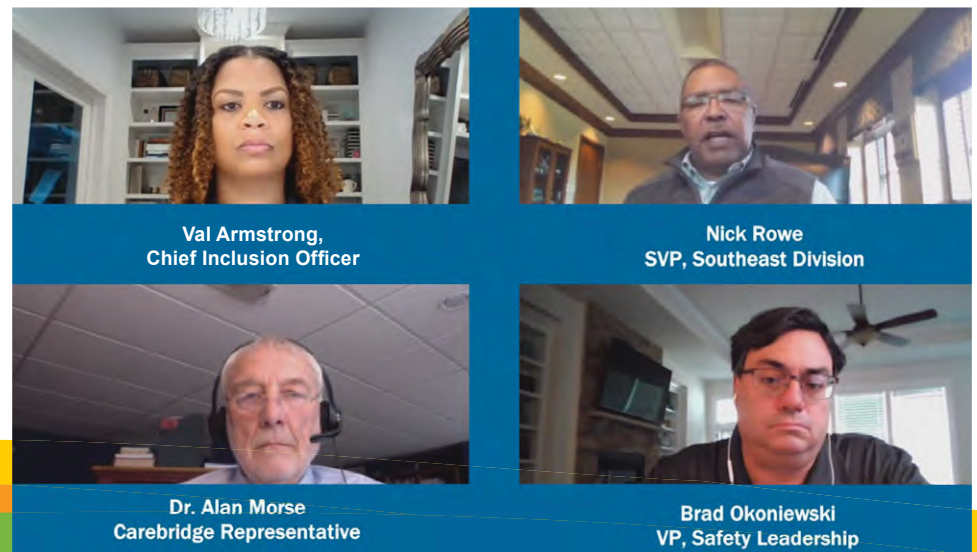


**Our communications strategy invites every employee to participate in open and respectful conversations where feelings, thoughts, concerns and questions can be shared. With the racial injustices that occurred in 2020, we challenged our workforce to share ideas on how we can create a work environment that respects the worth and dignity of every employee.**

- Executive Leadership Team Town Halls
- Podcast series addressing psychological safety, emotional health, PRIDE/LGBTQ+, and social/racial injustice
- Inclusion and Diversity Advisory Council and Local Champion Network
- Inclusion Day for all employees
- Toolkit addressing Employee Talking Tips: Racial Inequality and the Black Community
- Dedicated Inclusion and Diversity page on our corporate website
- I&D performance highlights included on our Environmental, Social and Governance website and investor materials including American Water's proxy, 10-K, and annual report
- Inclusion and Diversity performance is recognized through receipt of awards and positive media

- Beautifully Different video (click <https://youtu.be/B0okzISJAQc>) in which employees and leadership share why diversity is important to our workforce and our business

**Through our employees' engagement in open discussions on inclusion and diversity, we have made great progress in building an environment where differences are celebrated. Included in this report are some examples of how communicating about our journey to become an even more inclusive workplace is making us stronger.**



# Community

- The American Water Charitable Foundation (AWCF) provided every employee's myGiving account with foundation funds. Employees could then redirect dollars to an eligible charity of choice (Giving Back is Beautifully Different).
- American Water and the AWCF formed a \$1,000,000 partnership with the Jackie Joyner-Kersey Foundation, in collaboration with the Susan Story Foundation, to expand Ms. Joyner-Kersey's Winning in Life® program. This program focuses on bringing leadership skills to at-risk youth in underserved communities by teaching personal and social responsibilities through physical activity.
- Martin Luther King Jr. Day is a company holiday, but for employees, it's a day on instead of a day off. Employees are encouraged to lead or join a meaningful service opportunity.



"American Water is honored to celebrate Dr. Martin Luther King Jr.'s legacy by providing our employees with a paid day off from work in order to volunteer their personal time to participate in service activities that promote and recognize diversity and inclusion in their local communities."

Valoria Armstrong,  
Chief Inclusion Officer  
and VP, External Affairs





# Supplier Diversity

- American Water is committed to promoting diversity and economic development in the communities we serve. One way of demonstrating this is by doing business with women, minority, service-disabled veteran and LGBTQ+-owned vendors. Our inclusive procurement process aims to be accessible and fair to all suppliers based on their ability to meet the company's performance, price and quality requirements.
- Every employee is empowered to identify, qualify, select and manage the procurement process for goods and services to ensure that qualified diverse suppliers are appropriately included. We also strongly encourage our prime contractors and major suppliers to support supplier diversity.
- Our first annual National Supplier Diversity Summit was hosted in May 2019 to offer attendees the opportunity to educate themselves on the benefits of supplier diversity. The event also provided an opportunity for diverse businesses to build relationships with key stakeholders from across the company.

## Awards and Recognition:

- Nominated in 2020 for “Corporation of the Year” by The Eastern Minority Supplier Development Council (EMSDC)
- Selected in 2020 as Bronze winner “America's Top Corporation” for Women Business Enterprises by The Women's Business Enterprise National Council (WBENC)
- Featured in MBN USA salute to 2019 All-Stars of Supplier Diversity



*Senior Diversity Program Lead Sharon Manker (left) was recognized by The Women's Business Enterprise Center East as a 2020 Minority Enterprise Development Champion. Lawrence Wooten (right) is senior manager of Supplier Diversity at American Water.*



# Training

**In 2020, our employees completed over 23,000 hours of training focused on Inclusion and Diversity. Learning & Development was focused in the following areas:**

- Inclusion & Diversity 101
- Respect & Dignity in the Workplace
- Promoting a Harassment-Free Workplace
- Unconscious Bias & Mutual Respect
- Affirmative Action training for all people leaders

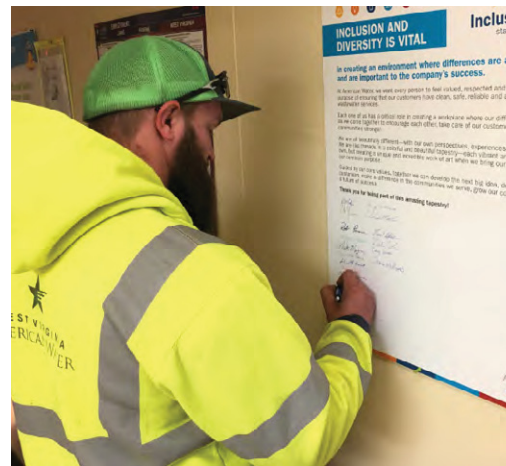
**We are excited to continue this journey and take it to another level. In 2021, our areas of Learning & Development will be focused in the following areas:**

- American Water People Goal 101
- Building Bridges to LGBTQ+ Inclusion
- Allyship in the Workplace
- Four (4) mini learning sessions focused on allyship
- Inclusive Leadership



# Workforce

- Public signing of CEO Action Pledge, a commitment to advance diversity and inclusion in the workplace
- Dedicated I&D resources: Chief Inclusion Officer and Director, Inclusion and Diversity
- Inclusion & Diversity Moment added to meeting agendas
- People goal focusing on Diversity
- Strategic partnerships with diversity-focused organizations (e.g., Paradigm for Parity,<sup>®</sup> Disability:IN, Hispanic/Latinx Professionals Association, American Corporate Partners, Hiring Our Heroes, Out & Equal Workplace Advocates, Getting Hired, and Military Spouse Employment Partnership)
- Diverse candidate slates and diverse interview panels
- Inclusion Starts with ME Self ID Campaign to attract and retain diverse talent.
- I&D shirts for employee purchase (Inclusion Starts with ME and Beautifully Different)
- Employee Business Resource Groups to attract and retain diverse talent

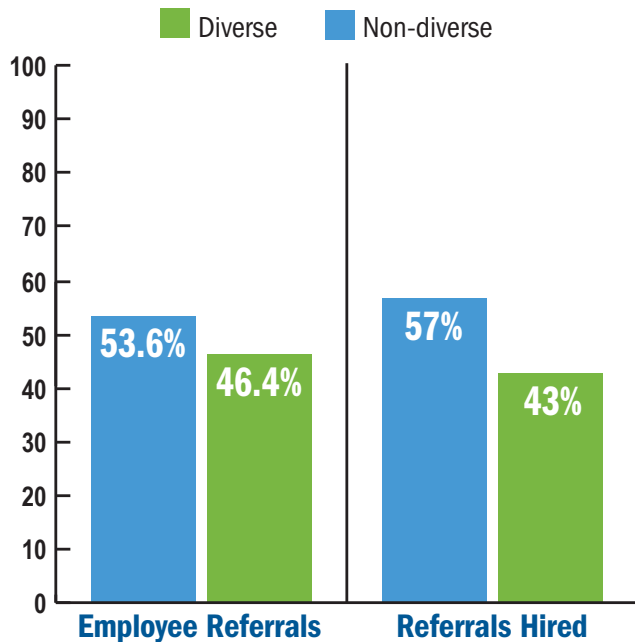




# Employee Referral Program

MyReferral is the company's employee referral program, providing employees the ability to share career opportunities with friends and family. We are dedicated to hiring qualified candidates that will help provide safe, clean, reliable and affordable water and wastewater services to the millions of people who depend on us every day for essential services.

In 2020, 46.4% of our employee referrals were diverse. Of the employee referrals that were hired, 43% were diverse.



**“I was so grateful to be referred to American Water by a friend. Every person here is valued for their unique perspectives and contributions, and I am doing something I enjoy at an amazing company.”**

**– Blake Clancy, Internal Communications Manager**





# Inclusion and Diversity Advisory Council

## Council Leadership



**Melanie Kennedy**  
Chief Human  
Resources Officer



**Valoria Armstrong**  
Chief Inclusion Officer  
and VP, External Affairs



**Rich Svindland**  
President, California  
American Water  
President, Hawaii  
American Water



**Nicole Boyd**  
Director, Inclusion  
and Diversity



**Megan Rowe**  
Manager, Internal  
Communications



**Marianne Taylor**  
Director, Talent Acquisition  
and Employee Experience

The I&D Advisory Council of American Water serves as a recommending body and liaises with other business functions to promote inclusion, diversity and equity. Every employee of the company is respected for who they are as an individual and for our collective differences as a team.

The council supports, advises and advocates inclusion and diversity across the company. Based on internal and external research and best practices, the council makes recommendations to the Executive Leadership Team for consideration and approval.

Once approved, council members collaborate with appropriate groups (e.g., human resources, I&D champions, business leaders, internal communications, etc.) to implement and/or execute.

## Council Members



**Marei Burnfield**  
Distribution Sys.  
Records Clerk  
(Pennsylvania American Water)



**Learl (Jay) Jordan**  
Field Operations  
Supervisor  
(West Virginia American Water)



**Steven Lauer**  
Divisional CFO  
(Market Based Business)



**Demetrio Marquez**  
Paralegal  
(California American Water)



**Vicki McGuire Miller**  
Team Supv. Billing  
(Customer Service Organization)



**Padma Paan**  
Engineering Mgr.  
(Illinois American Water)



**Takisha Walker**  
Principal Program Mgr.  
(T&I - Customer)



**Larry Wooten**  
Sr. Manager, National  
Supplier Diversity  
(Supply Chain)

THROUGH 12/31/2020

# Inclusion and Diversity Champion Network

I&D Champions are motivated to continue to foster an inclusive and diverse work environment at American Water. Champions want to increase I&D awareness at American Water and are enthusiastic about highlighting and celebrating successes with others in our company.

- Diversity of ideas, thoughts and experiences are vital to our culture and the way we do business.
- I&D Champions will encourage and engage employees to be champions for inclusion and diversity at American Water.
- I&D Champions will help relay company inclusion and diversity values to employees within their teams and segments of the business and promote awareness of local themes, celebrations and events.
- Teams of three or more, consisting of members from different states and across different business units, will work together monthly and as needed

## I&D Champions Leads

### CORPORATE:

#### **Charisse Cephas**

Sr. Manager, Regulatory Services

#### **Kelly Bhoombla**

Principal Technologist

### EASTERN:

#### **Chris Caligiuri**

Senior Manager, Finance

#### **Derek Bizzell**

Senior Specialist, Health & Safety

#### **Donna Slack**

Operations Supervisor

#### **Melissa Hazelton**

Engineering Specialist

#### **Nicolle Bradford**

Community Relations Specialist

#### **Veronica (Ronni) Alloway**

Operations Specialist

### CSG & CSO:

#### **Ashleigh Rhodes**

Analyst Scheduling CSC

#### **Dana Mitchell**

CSO Supervisor

#### **Denise Couch**

CSO Supervisor

#### **Ryan Overend**

Manager, Environmental

### HOS:

#### **Antoinette Evans**

Manager, Training

Development PHS

#### **Marqueita Robinson**

Senior Specialist, Call Center (HOS)

### SOUTHEAST:

#### **Daphne Kirksey**

Manager, External Affairs

#### **Roderick Sherman**

Senior Supervisor, Operations

### MSG:

#### **Benjamin Leckner**

General Maint. Worker (SCA)

#### **Ely Nunez**

Manager, Operational Excellence

#### **Kristen Spencer**

Senior Analyst, Business Performance

#### **Teresa Perez**

SCA Secretary II NR

### MID ATLANTIC:

#### **Alexander Sliwecki**

GIS Analyst

#### **Bradley Harris**

Specialist, External Affairs

#### **Erica Young**

Paralegal

#### **Ky'Ron Oberlton**

Relief Utility Person

#### **Yanesi Martinez**

Coordinator FRCC

### MIDWEST:

#### **Justin Mount**

Major Accounts Manager

#### **Rhonda Adams**

Program Manager, Supplier Diversity

#### **Nora Cobb**

WQ & Env Compliance Specialist

#### **Monica DeLaPaz**

Senior Supervisor, Operations

#### **Yacine Anane**

Engineering Project Manager

#### **Bethany Jenkins**

Senior Supervisor, Operations

### CALIFORNIA/HAWAII:

#### **Edward Simon**

Director, Business Performance

As of 12/31/2020

# Inclusion and Diversity Champion Network

## CORPORATE

### I&D CHAMPIONS:

#### Ryan Ural

Director, Ops. Excellence  
Executive Project Coordinator  
**Diana Mendoza**

Learning Specialist, Designer  
**Pamela Richardson**

VP Chief Labor Employment &  
Commercial Counsel

**Madelaine Cornell-d'Echert**  
HR Compliance Specialist

**Bogdan Muresan**

Principal Product Manager

**James Holden**

Sr. Technologist, Product Mgr.

**Jeanine Del Sordo**

Financial Analyst

**Franco Boffice**

Sr. Director Budget, Internal Rpt.

**Aaron McGarvey**

Project Mgr., Enterprise Env.  
Water Quality

**Terrence Elie**

Insurance Claims Rep.

**Mariame Savane**

Legal Support Coordinator

## EASTERN DIVISION

### I&D CHAMPIONS:

**Tabatha Stephens**

Mgr., Business Development

**Bridgette McCauley**

GIS Analyst/Project Mgr.

**Lee Mueller**

Mgr. External Affairs

**Cristen Hoagland-Easton**

Sr. Supervisor Operations

**Chelsea Kupl**

Mgr. External Affairs

## CSG & CSO

### I&D CHAMPIONS:

**Carla McKenzie**

Executive Assistant

**Jason Hogg**

Sr. Supervisor, Operations

**Nick Shutes**

Sr. Lead Operator

**Craig Swanson**

Maintenance Coordinator

**Michael Spaetzel**

General Manager

**Tim Leahey**

CSO Team Lead

**Cierra Dupree**

Customer Service Rep.

**Geoffrey Moehn**

Customer Service Rep.

**Tremoria Gardner**

CSO Supervisor

**Vanessa Conrad**

Customer Service Rep.

**April Staggs**

Clerk, General Service

**Diana Patterson**

Customer Service Rep.

**Gwendolyn Dean**

CSO Supervisor

**Ken Evans**

Sr. Prog. Mgr.,

Customer Experience

**Mara Beckmeyer**

CSO Group Supervisor

**Chelsy Craft**

Customer Service Rep.

**Felicia Abrams**

Sr. CSO Liaison

**Kristina Remelius**

Financial Analyst

**Latanya Armstrong**

Call Handling Rep.

**Zola Willis**

CSO Supervisor

**Ashleigh Rhodes**

Analyst, Scheduling

**Christina Witherspoon**

CSO Team Lead

**Cindy Schneider**

Office Manager

**Lanna Hurd**

Customer Service Rep.

**Qunita Burnett**

CSO Team Lead

**Cynthia Billings**

CSO Group Supervisor

**Emily Brackins**

CSO Quality Analyst

**Rebecca Joshu**

CSO Liaison

**Samantha Tibbitts**

Customer Relations Spec.

**Cheryl Edwards-Jemison**

CSO Control Specialist

**Irene Jordan**

FRCC Coordinator

**Joanna Lewis**

Sr. Analyst, Performance

**Julia Sutton**

Analyst, Forecasting

**Patty O'Dell**

Customer Relations Spec.

**Steven Warden**

CSO Supervisor

**Charles Anderson**

CSO Supervisor

**Tony Patterson**

CSO Liaison

**Heather Germann**

CSO Supervisor

**Amber Clark**

CSO Supervisor

**Marevic Clark**

CSO Team Lead

**Jennifer Acoba**

CSO Supervisor

**Jennifer Pelletier**

CSO Quality Analyst

**Michelle Cummings**

CSO Team Lead

**Alicia Chardon**

Trainer

**Jennifer Brunst**

CSO Team Lead

**Nathan Markham**

Customer Service Rep.

**Justin Harrison**

Analyst, Forecasting

**Stacy Thomas**

Customer Service Rep.

**Tinisha McNeil**

CSR Billing Specialist

## HOS I&D CHAMPIONS:

**Carmen Cadell**

Specialist, Call Center Claims

**Carla Campbell-Jackson**

Sr. Mgr., Customer Care Center

**Jeff Taylor**

Business Integration Analyst

**Althea Burdick**

Specialist, Call Center Claims

**Thomas Benavidez**

Clerk, Intermediate Office

**Bertha Salgado**

Mgr. Customer Service

**Marguerite Hillock**

Sr. Mgr., Customer Service

**Margaret Lasota**

Supervisor Contract Network

**Darcy Martin**

Mgr. Customer Service

**Tamika Armstrong**

Supervisor Billing/Collections

**Jennifer Probst**

Dir. Client Relations

## SOUTHEAST DIVISION

### I&D CHAMPIONS:

**Abigayle Dylag**

GIS Analyst

**Eileen Burk**

Specialist, WQ & Env. Compliance

## MSG

### I&D CHAMPIONS:

**Bobby McLaughlin**

Maintenance Electrical

**Julee Womack**

SCA Secretary

**Jose Castillo**

Sr. Supervisor, Operations

**Matthew Mays**

Sr. Supervisor, Operations

**Joshua Duncan**

General Manager

**Amy Chadwick**

SCA Secretary

**Alycia Wynn**

SCA Secretary

**Bob Dohoney**

General Manager

**DeAnna Dear**

GIS Technician

**Matt Clarkson**

GIS Technician

**Aaron Williams**

General Manager

**Pamela Bright**

SCA Secretary

## MID ATLANTIC DIVISION

### I&D CHAMPIONS:

**Jeff Ferrell**

Sr. Mgr., Operations

**Brittany Manassero**

Specialist, Health & Safety

**Keion Wright**

Equipment Operator

**Lenoria Burks**

Field Service Rep.

**Jannai Napier**

Supervisor, WQ & Env. Comp.

**Eden Vanater**

Sr. Operations Support Rep.

**James Barnette**

Operator, Utilityman

**LaChina Lane**

Operations Specialist

**Jonathan Walters**

Principle Utilityman

**Jace Harper**

Financial Analyst

**Marcus Smith**

Water Operator

**Susan Turner**

Operations Specialist

**Carrie Durkin**

Operations Specialist, Wastewater

**Joann Wilson**

Admin. Assistant

**Kimberly Good**

Admin. Assistant

**Pamela Riley**

Field Service Representative

**Matthew Wiedlich**

Utility Person

**Jeffrey Zeigler**

Operations Specialist

**Toni Colavecchia**

Senior Manager

**Patrick Keen**

Utility Person

## MIDWEST DIVISION

### I&D CHAMPIONS:

**Scott Campbell**

Sr. Supervisor Operations

**Dan Monahan**

Lead Client Technology

**DeAndre Lewis**

Specialist, Physical Security

**Amy Angle**

Finance Manager

**Richard Sebold**

Sr. Prog. Mgr., Safety & Health

**Veronica Gerdes**

Service Person

**Eric Larson**

Sr. Mgr. Operations

**Mark Faison**

Field Maintenance Tech.

**Thomas Harrell**

Sr. Supervisor, Operations

**Dierdre Rodgers**

Sr. Operations Support Rep.

**Amrit Singh**

Engineering Project Mgr.

**April Aldridge**

Paralegal

**Carrie Lowe**

Supr. WQ & Env. Compliance

**Cheri Reis**

Operations Specialist

**Jonathan Thomas**

Sr. Buyer

**Kimberly Brown**

Sr. Superintendent, Prod.

**Linda Newman**

Field Services Rep.

**Patricia McNiece**

Operations Specialist

**Sarah Gordon**

Engineer

**Silpa Varanasi**

Supr. WQ & Env. Compliance

**Yvette Baker**

Plant Operator

**Amanda Duncan**

Sr. Specialist Business Svcs.

**Timothy Grady**

Operations Helper

**Cecelia Garceau**

Lead Operations Rep

**Kelly Tudor**

Lead Operations Supt. Rep.

**Patrice Bryant**

Customer Service Rep.

**Leslie Roark**

Administrative Assistant

**Andrea Bland**

Lead Operations Supt. Rep.

**Brian Billups**

Sr. Supervisor, Operations

**Gina Bayes**

Prog. Mgr. Customer Experience

**Christopher Hayes**

Supervisor, Operations

**Anthony Richards**

Director, Health & Safety

## CALIFORNIA/HAWAII

### I&D CHAMPIONS:

**Alberto Rivera**

Cross Connect Specialist

**Alexus Russell**

Transactional Buyer

**Alicia Kispersky**

Project Engineer

**Cherelle Yoza**

Operations Specialist

**Eric Bennett**

Sr. Supervisor, Operations

**Jackie Andrade**

Meter Reader

**Kevin Flint**

Sr. Supervisor, Operations

**Laura Gonzales**

Operations Specialist

**Leana Ramirez**

Operations Specialist

**Luis Corrales**

</



# Employee Business Resource Groups (EBRGs)

EBRGs are voluntary, employee-led business resource groups designed to serve identified employee groups with a goal of creating a more inclusive and diverse workplace, as well as giving us a better understanding of our diverse communities that we serve.

- Are inclusive and all employees are able to join
- Cultivate a culture where every employee is respected
- Will impact the business in three focus areas: community, culture and careers
- Act as a “voice” for a particular group in the organization
- Create a powerful network of members focused on areas of common interest
- Build high-trust relationships that help the company and individuals flourish
- Foster a sense of belonging and inspire conversation
- Bring new ways to identify and resolve issues
- Play an integral role in the execution of our I&D strategy

## Women's EBRG



**Takisha Walker**  
(Co-chair) Principal  
Program Manager



**Sarita Malakar**  
(Co-chair) Director,  
Corporate Counsel



**David Bowler**  
(Executive Sponsor)  
SVP, Corporate Tax,  
Accounting Technology &  
Regulatory Services



**Tiffanie Duncan**  
(Co-chair)  
Labor Relations Analyst



**Anthony Solomon**  
(Co-chair)  
Indirect Tax Supervisor



**Pamela Richardson**  
(Executive Sponsor)  
VP, Chief Labor Employment  
& Commercial Counsel

## Black/African-American EBRG

# Strategic Partnerships

American Water partners with diverse organizations to share information and promote I&D best practices. These organizations provide guidance on diversity hiring strategies and fostering an inclusive culture. It is vital for us to maintain these strong partnerships so that we continue to improve our culture.

## Organization



## Description/Services

A nonprofit organization engaged in national corporate career counseling for our returning veterans and active-duty military spouses



The largest CEO-driven business commitment to advance diversity and inclusion in the workplace



The leading nonprofit resource for business disability inclusion worldwide



The leading research and advisory company; provide senior leaders across the enterprise with the indispensable business insights, advice and tools they need to achieve their mission-critical priorities and build the organizations of tomorrow

## Organization



## Description/Services

A recruitment solution dedicated to helping inclusive employers hire professional individuals and veterans with disabilities



Sponsor of an innovative 12-week program that provides transitioning service members with professional training and hands-on experience in the civilian workforce



An organization that provides companies with diversity-based recruiting resources, as well as job and career information for individuals and job seekers



The premier organization working exclusively on LGBTQ+ workplace equality. Helps LGBTQ+ people thrive and create a culture of belonging for all



A coalition comprised of business leaders, board members and academics committed to addressing the corporate leadership gender gap

# Awards and Recognition (2020)

**January:** American Water signs CEO Action Pledge for Diversity and Inclusion.

**May:** American Water is named a 2020 DiversityInc Noteworthy Company by DiversityInc, the gold standard in the U.S. for ranking companies for diversity, equity and inclusion.

**July:** Top Scorer on the Disability Equality Index for Disability Friendly.

**August:** U.S. Veterans Magazine recognized American Water as a veteran-friendly company and for having a veteran-friendly supplier diversity program.

**August:** Military Times awards American Water with Best for Vets Employer for 2020.

**August:** U.S. Department of Defense awards American Water the 2020 Freedom Award.

**September:** GI Jobs/VIQTORY award.

CEO **ACT!ON** FOR  
DIVERSITY & INCLUSION

**DEI** BEST PLACE TO WORK FOR  
DISABILITY INCLUSION 2020<sup>SM</sup>  
100% DISABILITY EQUALITY INDEX





## Awards and Recognition (2019)

**May:** Military Times awards American Water with Best for Vets Employer for 2019.

**July:** Top Scorer on the Disability Equality Index for Disability Friendly.

**August:** VIQTORY announced Military Friendly® employers. American Water achieves Gold-level status which means our results were within 10% of the 10th ranked organization.

**October:** VIQTORY announced Military Spouse Friendly® employers. American Water is one of 106 organizations awarded with this recognition.

**November:** 2020 Bloomberg Gender-Equality Index (GEI)



## Awards and Recognition (2018)

**May:** Military Times awards American Water with Best for Vets Employer for 2018.

**June:** American Water is ranked as one of the leading companies for diversity, governance and transparency in the Philadelphia region.

**July:** American Water named to the NAACP Equity, Inclusion & Empowerment Index.

**August:** Victory Media announced Military Friendly® employers. American Water achieves Bronze-level status which means our results were within 40% of the 10th ranked organization.

**August:** U.S. Veterans Magazine recognized American Water as a veteran-friendly company and for having a veteran-friendly supplier diversity program.

**August:** American Water was approved for Military Spouse Employment Partnership (MSEP) partnership.

**October:** American Water was honored by The Forum of Executive Women as a Champion of Board Diversity for 2018.

**November:** American Water is recognized as a 2019 member of the Bloomberg Gender Equity Index.

**November:** American Water partnered with the Paradigm for Parity® coalition and announced its commitment to further support inclusion and diversity efforts across its corporate leadership structure by 2030 as well as show support for the same actions in corporations across the United States.



AMERICAN WATER

# ATTACHMENT 3





# 2021

## Inclusion, Diversity & Equity Report



AMERICAN WATER

Beautifully Different



For the latest ID&E metrics, visit [DiversityatAW.com](https://DiversityatAW.com)



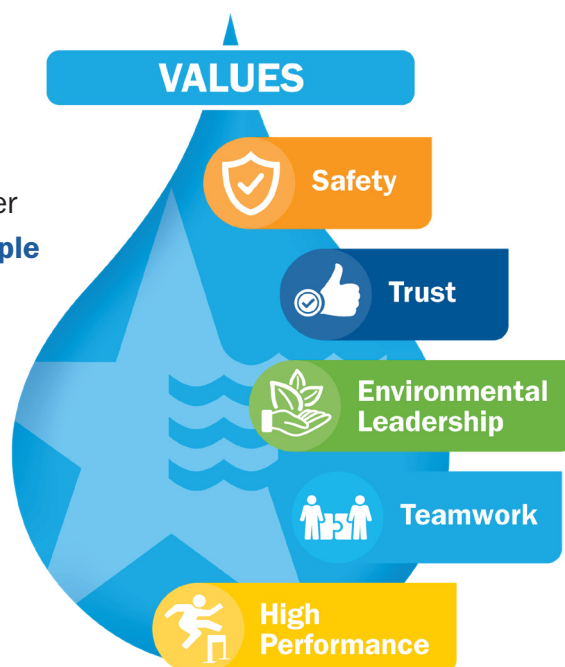
# OUR COMMITMENT TO INCLUSION, DIVERSITY AND EQUITY

With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly traded water and wastewater utility company. We employ more than 6,400 dedicated professionals who provide regulated and regulated-like drinking water and wastewater services to more than **14 million people in 24 states**.

American Water has worked hard to embed Inclusion, Diversity and Equity (ID&E) into the fabric of our culture, and we have been recognized for our progress. For us, inclusion is feeling that you belong – being comfortable to bring your whole self to work and freely express your ideas. This is why we start with **inclusion first**.

You can learn more about our ID&E strategic framework on [DiversityatAW.com](https://diversityataw.com). In the meantime, take a look at our 2021 ID&E metrics listed throughout this report.

*For the latest ID&E metrics, visit [DiversityatAW.com](https://diversityataw.com)*





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AMERICAN WATER

*American Water's headquarters in Camden, N.J., honoring Pride Month in June.*





# WE ARE BEAUTIFULLY DIFFERENT

At American Water, we regularly reflect on our values and our culture. We're all different, and having that diversity across our organization makes us a great company. We're strong because we have different ideas, viewpoints, experiences, and backgrounds. Most importantly, we embrace and expect one another to respect and value those differences.

We believe that ID&E are vital elements to our success. Creating an environment where everyone can bring their whole selves to work is essential for the emotional safety of our employees. We are more successful when our workforce reflects the communities that we serve. We have come a long way, and we know there is more work to do.

Building open and respectful dialogue, listening to different perspectives, and learning from one another is not always easy. We are committed to using our collective voices to continue to get better at building a truly inclusive work environment.

At American Water, we say "Include Yourself" because employee engagement is essential in creating a workplace where everyone feels safe, included, and treated with respect and dignity. "Include Yourself" is about empowering employees to contribute and participate in the culture we aim to create and maintain - one that is beautifully different.



**M. SUSAN  
HARDWICK**

President, Chief  
Executive Officer  
and Chief Financial  
Officer

A handwritten signature in black ink.



**MELANIE  
KENNEDY**

Executive Vice  
President and Chief  
Human Resources  
Officer

A handwritten signature in black ink.



**CHERYL  
NORTON**

Executive Vice  
President and Chief  
Operating Officer

A handwritten signature in black ink.



**VALORIA  
ARMSTRONG**

Chief Inclusion Officer  
and Vice President,  
External Affairs

A handwritten signature in black ink.

# OVERALL AMERICAN WATER DIVERSITY







American Water has a **strong commitment to employee inclusion, diversity and equity** so that we reflect the customers and communities we serve. The data below represents the diversity of our workforce through **voluntary employee self-identification**.

American Water's fiscal year 2021 numbers, as compared to 2020 data, are impacted by a smaller workforce population due to the sale of Homeowner Services and New York American Water. As a result of the impact of the sales, our year-over-year data shows a slight decrease in the diversity of our overall workforce, female population, and ethnic/racial diversity population. Had the sale not occurred, the diversity of our overall workforce, female population, and ethnic/racial diversity population would have stayed relatively flat or exhibited a slight increase. Our disability, military vets, military spouse, and LGBTQ+ populations increased slightly with or without the sale.

We acknowledge we have work to do and are committed to continuing and improving our efforts in the coming year and beyond. Since December 2021, American Water has continued to hire diverse talent across the organization, including at the executive levels. We are pleased to report that as of April 1, 2022, the ethnic and racial diversity of our executive leadership team has increased. Going forward, our most recent workforce diversity data can be found on [DiversityatAW.com](https://DiversityatAW.com) and will be updated quarterly. American Water also established 2022 targets related to increasing women and ethnic and racial diversity in management roles and will report on our progress at year-end.

## A Look at our Diversity

2020 → 2021

AMERICAN WATER	Metrics as of 12/31/2020	Metrics as of 12/31/2021	
		Including Homeowner Services and New York American Water	Excluding Homeowner Services and New York American Water
 Disability	1.6%	2.5%	2.4%
 Female	26.0%	26.2%	24.1%
 Military /Veterans	6.1%	6.2%	6.4%
 Military Spouse	0.1%	0.2%	0.2%
 LGBTQ+	0.7%	1.2%	1.2%
 Ethnic/Racially Diverse	21.0%	21.5%	19.8%
Total Diversity	44.0%	44.8%	42.8%

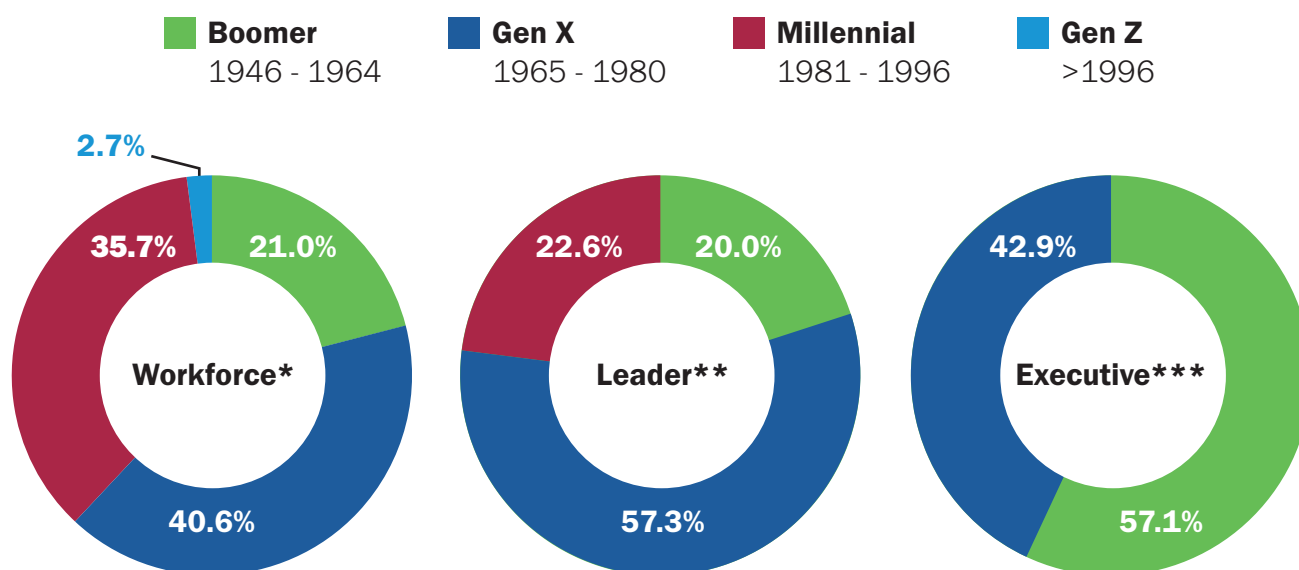
For the latest ID&E metrics, visit [DiversityatAW.com](https://DiversityatAW.com)



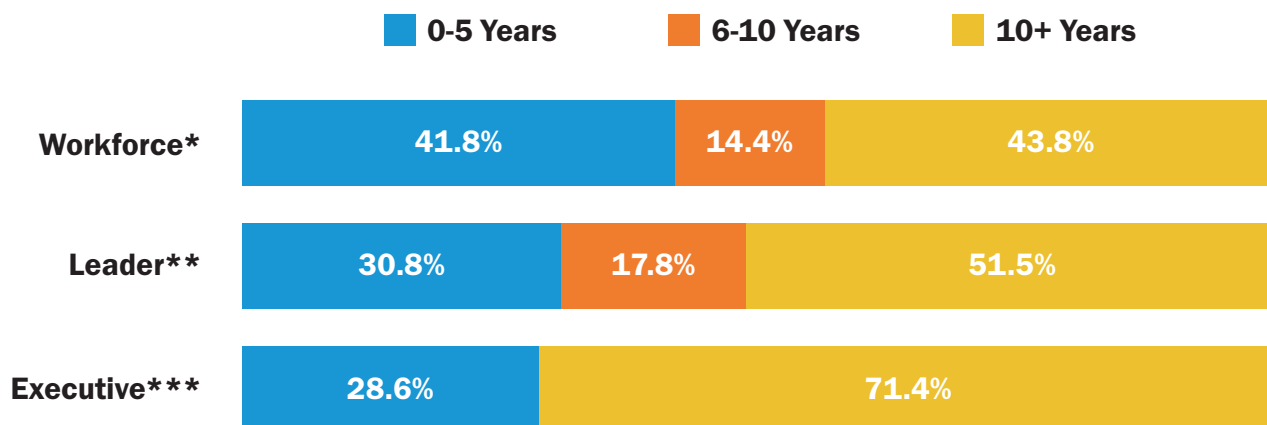
# A DIVERSE WORKFORCE FROM DIFFERENT PERSPECTIVES

Diversity of our workforce is important as we evaluate generations and tenure.

## DIVERSITY ACROSS GENERATIONS



## BY TENURE



As of 12/31/2021

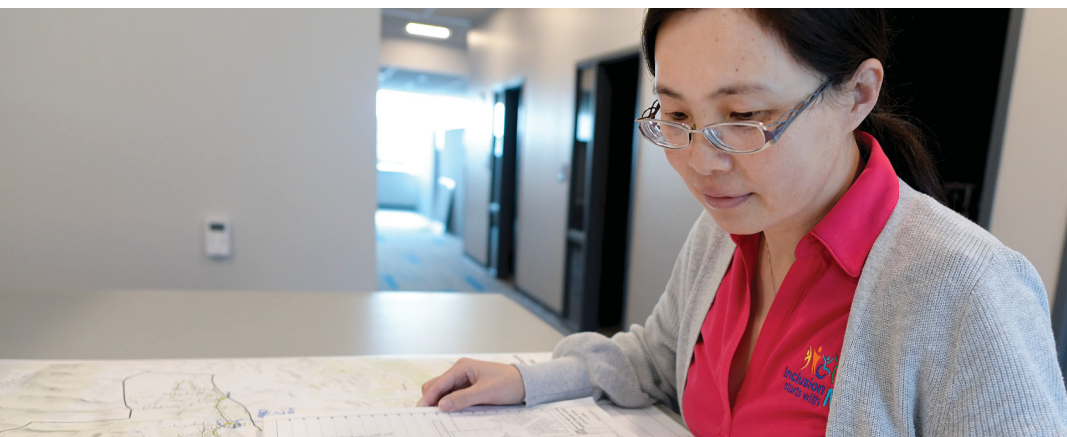
For the latest ID&E metrics, visit [DiversityatAW.com](https://www.americanwater.com/diversity)

\*Workforce is all employees with the exception of leaders/executives.

\*\*Leaders are defined by having at least one direct report or by position.

\*\*\*Executives include the Chief Executive Officer and one level of direct reports.





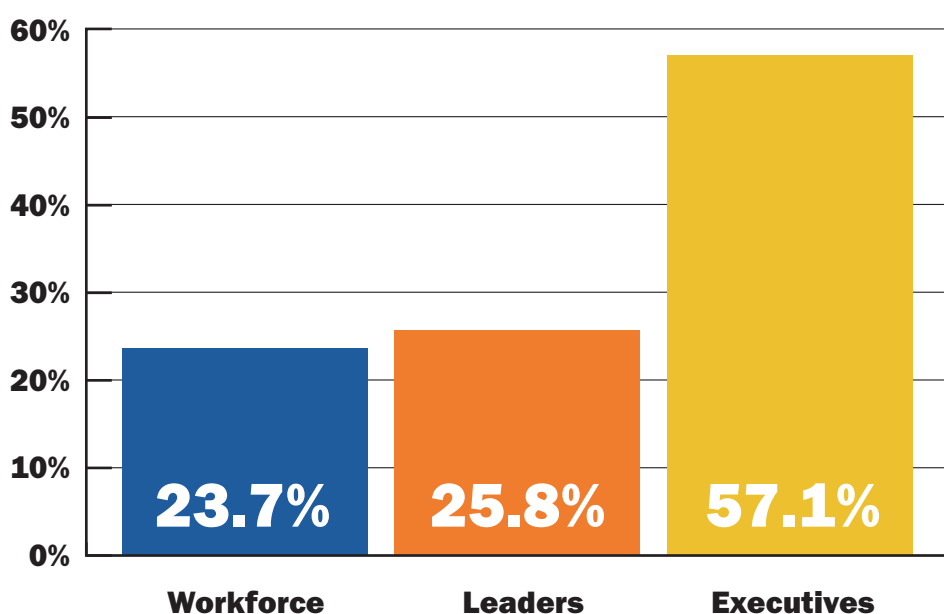
**24.1%**  
of our overall  
workforce  
is female

## DIVERSITY METRICS: WOMEN

We recognize the benefits of increasing our female representation in the workforce to better reflect the customers and communities that we serve. We are committed to closing the gender gap. Our recruitment and retention strategies include a holistic view of the areas that can have the greatest impact: evaluating the employee value proposition, auditing internal processes for inclusion, updating our job descriptions to be gender-neutral and supporting authentic leadership to improve women's representation in leadership roles.

Additionally, achieving and maintaining gender parity and diversity at the Board level is important for the company. As of April 1, 2022, the American Water Board was 70% diverse, which is defined as ethnically or racially diverse, female, veteran, or an individual with a disability, and all based on voluntary self-identification. Going forward, this data can be found on [DiversityatAW.com](https://DiversityatAW.com), and will be updated quarterly.

## WOMEN AT AMERICAN WATER



As of 12/31/2021

For the latest ID&E metrics, visit [DiversityatAW.com](https://DiversityatAW.com)



## DIVERSITY METRICS: **WOMEN**

### FEMALE EMPLOYEES BY ETHNICITY, RACE, AND CAREER LEVEL

White

Black/African American

American Indian/Alaska Native

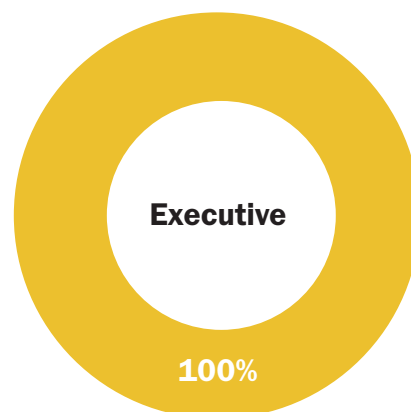
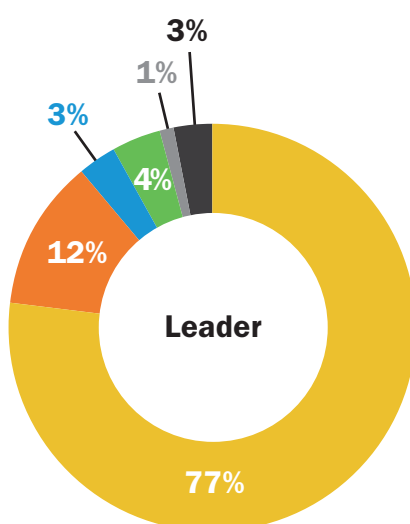
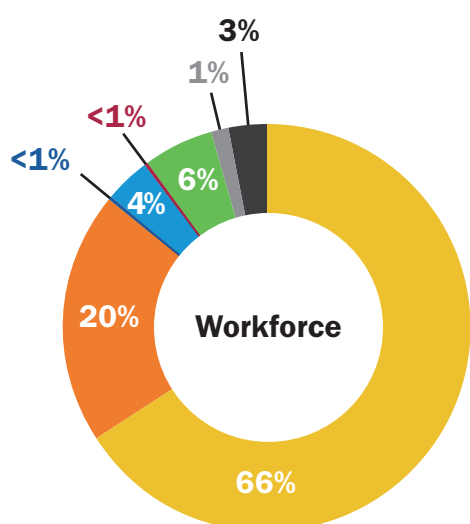
Asian

Native Hawaiian/Other Pacific Islander

Hispanic/Latino

Two or More Races

Unidentified



As of 12/31/2021

For the latest ID&E metrics, visit [DiversityatAW.com](https://DiversityatAW.com)



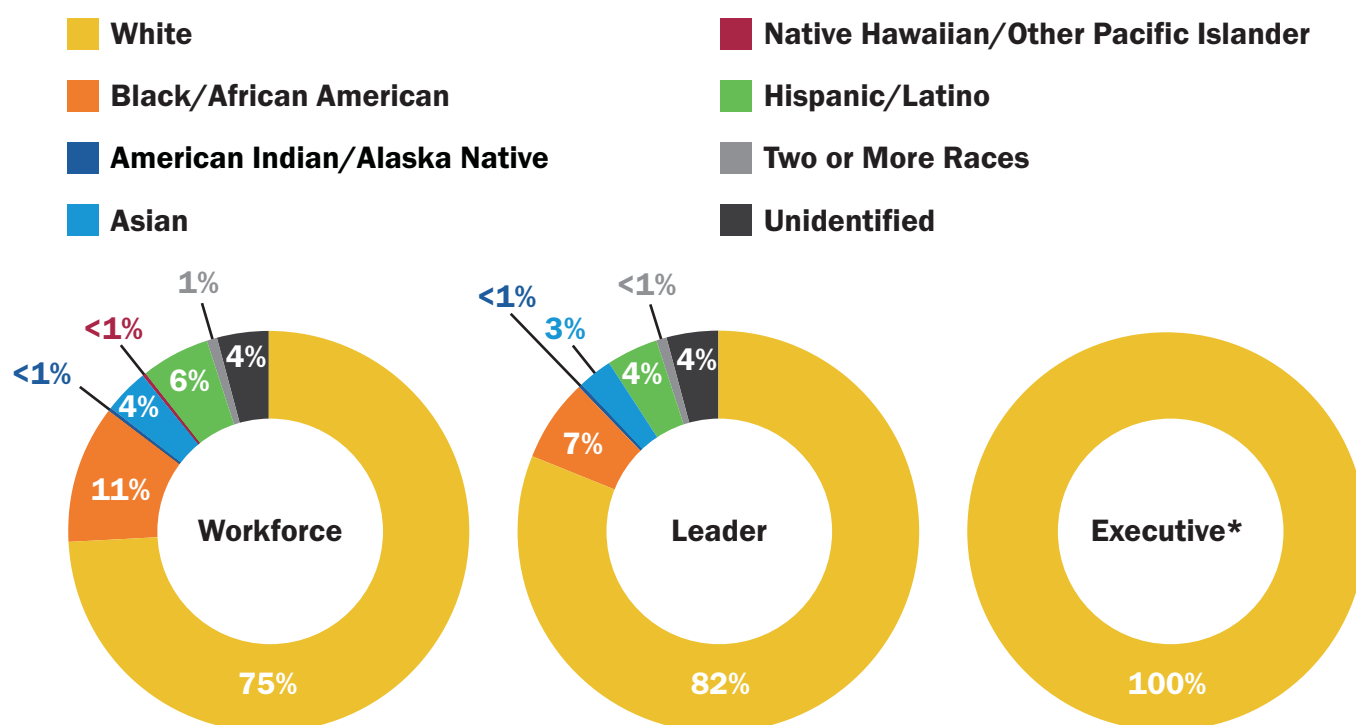
## DIVERSITY METRICS: ETHNICITY AND RACE

American Water knows that diversity across our company will create stronger teams, better ideas, innovative ways of doing our work, long-term sustainability, and, ultimately, an organization that provides the best service to our customers. Since 2017, we have had a focused ID&E recruitment strategy with annual goals to improve diversity across the company. We leverage our ID&E Executive Council, a robust employee referral program, and ID&E Champion Network to identify diverse talent during the recruitment process. We also engage with Historically Black Colleges and Universities (HBCUs) and Hispanic Serving Institutions to increase our diverse talent candidate pool.

Our Employee Business Resource Groups (EBRGs) also focus on attracting diverse talent to our company. One example - Together We Stand, our Black and African American EBRG, served as company representatives at the National HBCU Week Career and Recruitment Fair. This group of employees also holds virtual learning sessions to assist employees with career growth and development.



## ALL EMPLOYEES BY ETHNICITY, RACE AND CAREER LEVEL



As of 12/31/2021

\*As of 4/1/202, the ethnic/racial diversity of American Water executives increased.

For the latest ID&E metrics, visit [DiversityatAW.com](https://diversityataw.com)



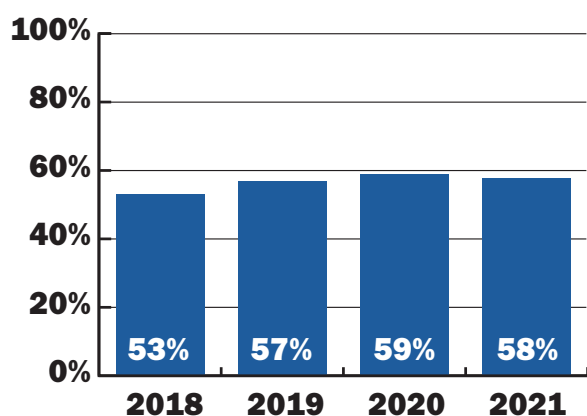


## ATTRACTING AND RETAINING DIVERSE TALENT

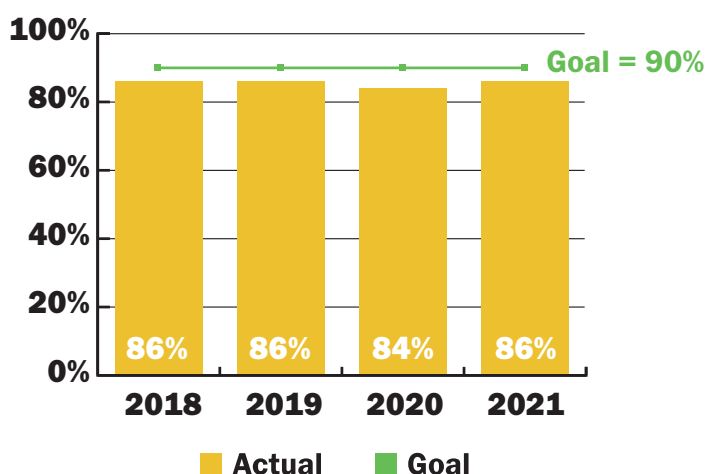
American Water knows we have more work to do to meet our diversity goals. We partner with organizations to increase our diverse candidate pools. Examples of partnerships include American Corporate Partners, Disability:IN, Getting Hired, Military Spouse Employment Partnership, Out & Equal Workplace Advocates, Paradigm for Parity® coalition, and more.

Diversity is a focus in every job posting and candidate pool. We have partnered with several organizations (Hiring Our Heroes, Getting Hired, Hispanic/Latinx Professionals Association, Hirepurpose) to create opportunities for underrepresented groups and assist us with our commitment to increase our diverse talent pools.

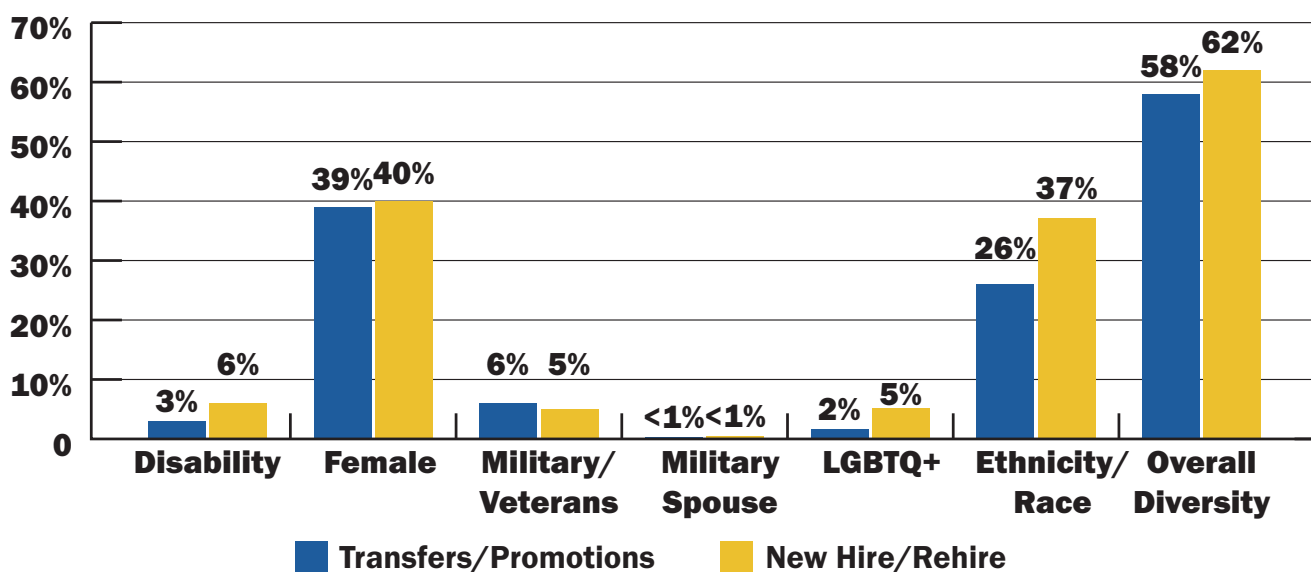
### PERCENTAGE OF DIVERSE TRANSFERS/PROMOTIONS\*



### PERCENTAGE OF REQUISITIONS WITH DIVERSE CANDIDATE POOL\*



Below is a closer look at the percentage of diverse transfers, promotions, and new hires by category who have voluntarily self-identified.



As of 12/31/2021

For the latest ID&E metrics, visit [DiversityatAW.com](https://www.americanwater.com/diversity)

\*Ethnically or racially diverse, female, military, veteran, military spouse, individual with a disability, and LGBTQ+ who voluntarily self-identify.



# SELF-ID AND EQUAL EMPLOYMENT OPPORTUNITY DATA

Employees at American Water are educated on voluntary self-ID and the ability it provides for workforce diversity transparency. During the year, we asked employees to voluntarily self-identify in the categories of gender, ethnicity, race, military/veteran status, disability, sexual orientation, and military spouse. Understanding our workforce helps us to better recognize the unique skill sets, experiences, and perspectives shaping our culture, as well as providing support to the addition of benefits, programs, and resources to meet our employees' needs.

Self-identification is the Equal Employment Opportunity Commission's (EEOC) preferred method of confirming race, ethnicity, and sex information for the EEO-1 Report\*.

## WHAT IS AN EEO-1 REPORT?

Since 1966, the EEOC has required eligible employers to submit workforce demographic data on an annual basis. All private employers that are covered by Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e, et. seq., as amended (Title VII) and that have 100 or more employees are required to file the EEO-1 Component 1 Report. In addition, the U.S. Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) regulations require certain federal contractors to file the EEO-1 Component 1 Report if they have 50 or more employees and are not exempt as provided for by 41 CFR 60-1.5.

Employers meeting the reporting thresholds have a legal obligation to submit annual workforce demographic data on their employees by race/ethnicity, sex, and job category. The data include seven race/ethnicity categories and 10 job categories. EEO-1 Component 1 data are used by the EEOC to investigate charges of employment discrimination against employers and to provide information about the employment status of minorities and women.

\*EEOC's terminology

## DEFINITIONS OF THE EEO-1 RACE AND ETHNICITY CATEGORIES

**Hispanic or Latino** - A person of Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture or origin regardless of race.

**White** - A person having origins in any of the original peoples of Europe, the Middle East or North Africa.

**Black or African American** - A person having origins in any of the black racial groups of Africa.

**Native Hawaiian or Other Pacific Islander** - A person having origins in any of the peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

**Asian** - A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian Subcontinent, including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam.

**American Indian or Alaska Native** - A person having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.

**Two or More Races** - All persons who identify with more than one of the above five races (White, Black or African American, Native Hawaiian or Other Pacific Islander, Asian, American Indian or Alaska Native). For the purposes of this group, identifying as Hispanic or Latino and only one of the listed 5 race groups does NOT qualify.

More data on EEO-1 reports:

<https://eeocdata.org/EE01/support/faq>



# AMERICAN WATER 2020 EEO-1 EMPLOYMENT DATA

JOB CATEGORIES	HISPANIC OR LATINO		NON-HISPANIC OR LATINO												Overall Totals
			MALE						FEMALE						
	Male	Female	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	American Indian or Alaskan Native	Two or More Races	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	American Indian or Alaskan Native	Two or More Races	
Executive/Sr. Officials & Managers	3	1	96	3	0	2	0	1	28	3	0	2	0	0	139
First/Mid Officials & Managers	32	13	709	43	1	18	0	8	256	42	0	17	1	2	1142
Professionals	24	23	427	40	0	74	1	5	291	54	1	42	0	3	985
Technicians	9	1	125	10	1	1	0	3	34	7	0	3	0	2	196
Sales Workers	8	11	15	12	0	1	0	0	19	35	0	0	0	2	103
Administrative Support	20	44	203	43	1	8	1	2	480	230	1	10	3	13	1059
Craft Workers	96	5	1257	105	6	7	5	13	45	5	0	1	0	0	1545
Operatives	85	5	1249	152	1	5	5	18	52	9	0	1	0	1	1583
Laborers & Helpers	16	1	101	19	0	2	1	1	3	1	0	0	0	0	145
Service Workers	0	0	2	0	0	0	0	0	0	0	0	0	0	0	2
Total	293	104	4184	427	10	118	13	51	1208	386	2	76	4	23	6899
Previous Report Total	256	90	4139	424	9	110	10	43	1228	414	1	73	2	18	6817

- 2021 EEO-1 Employment Data will be released later in the year upon certification
- More information on EEO-1 Report at <https://eeocdata.org/EE01/support/faq>
- U.S. Census Bureau information available at <https://www.census.gov/>





## AMERICAN WATER IS COMMITTED TO FAIR PAY

In accordance with best practices, American Water audits both pay gaps and pay equity on an annual basis. We use the information from these audits to address inequalities identified and update processes to allow for equal pay, development, and advancement opportunities for all employees. The findings of these audits are reviewed annually with our Board of Directors and Executive Leadership Team, along with a plan of action to close identified gaps.

---

**We believe it is crucial to help ensure equal pay for equal work, just as importantly, to help ensure all employees have equal opportunities to develop.**

---

We know we need to increase the representation of female and ethnically/racially diverse employees in higher-paying roles to close our pay gaps. Working across the business, we continue to look for ways to improve our programs to **attract, reward, retain, and develop** a diverse employee population.

### Here are some steps we took in 2021:

- Implemented a process where the hiring manager and talent acquisition set a narrow range for position's starting rate before the successful candidate is identified. We set a range based on the position, not the person, which does not consider a candidate's salary expectations. This creates a more consistent and fair approach to starting rates for new hires and promotions.
- Worked to help ensure job titles are gender-neutral to encourage women to apply for roles that are traditionally male-dominated.
- Began job description review, focused on helping ensure requirements are not too restrictive, which could discourage diversity in the pool of candidates who apply.

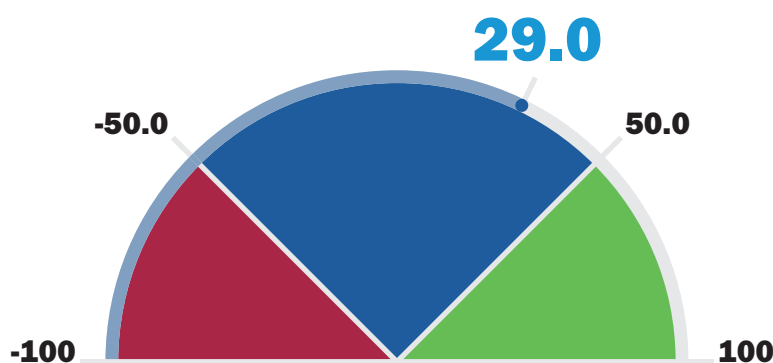


## A LOOK AT 2021 EMPLOYEE ENGAGEMENT

The Employee Net Promoter Score (**eNPS**) allows employers to measure and get a snapshot of employees' willingness to be ambassadors for the company by advocating employment.\* This score is determined from our annual employee survey. In 2021, **4,912 employees (70%)** completed our Culture Survey. Our 2021 eNPS was **29.0**, a decline year-over-year and attributable to a blend of in office and remote working arrangements caused by the COVID-19 pandemic.

Based on responses to the question **"On a scale of 0-10, how likely are you to recommend American Water as a place to work?"** employees are segmented into **Promoters, Passives, and Detractors**.

### 2021 TOTAL COMPANY EMPLOYEE NET PROMOTER SCORE



- **2021** Total Company Employee Net Promoter Score was **29.0**
- **2020** Total Company Employee Net Promoter Score was **40.6**
- **2019** Total Company Employee Net Promoter Score was **26.0**

*"American Water has an inclusive culture where employees are fairly recognized for their contributions."*



*"There is a culture of dignity and respect at my work location."*



#### DETRACTORS

Unhappy employees who may impede growth through negative word of mouth.

#### PASSIVES

Satisfied but unenthusiastic employees who are vulnerable to accepting other offers.

#### PROMOTERS

Employees who are enthusiastic about their work and the company, and are likely to refer others.

Scores range from -100 to 100. \*eNPS equals % Promoters minus % Detractors.



# SUPPLIER DIVERSITY

Supplier diversity is an American Water business imperative. We aim to provide companies owned and operated by ethnic minorities, women, veterans, people with disabilities, and members of the LGBTQ+ community the opportunity to compete for our sourcing needs. The **value, innovation, flexibility, and customer-focused approach** of diverse businesses serve as a true value proposition to American Water.

To further strengthen our commitment to supplier diversity, American Water hosts our Supplier Diversity Summit annually. This is our signature event to connect diverse suppliers to our business stakeholders. Our prospective suppliers meet and discuss opportunities with the decision-makers to align with our procurement needs.

## METRICS FOR 2021\*

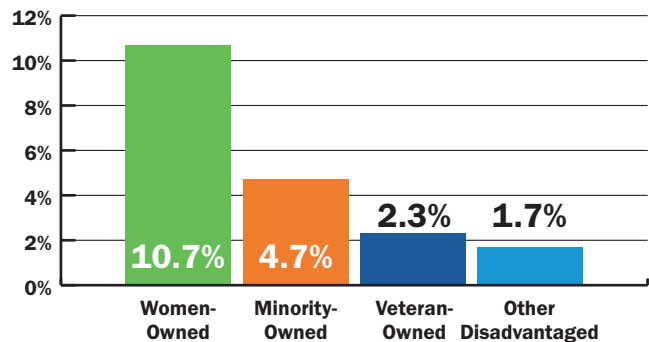
Our Diverse Supplier spend topped **\$417 million** in 2021.

Supply Chain surpassed its goal in 2021 to increase diverse supplier spend to 18.9%.

2021 Diverse Supplier Goal: **18.9%**

2021 Actual Diverse Supplier Spend: **19.3%**

## OUR DIVERSE SUPPLIERS



\*2021 performance represents the fourth year American Water has surpassed the stated goal for spend with diverse businesses.



American Water was a sponsor of the 2022 Circle of Achievement Awards Gala hosted by the African American Chamber of Commerce of New Jersey (AACCNJ). Attendees of the event included, from left to right, New Jersey American Water President Mark McDonough, employees Dina Cooper-Williams, Denise Venuti-Free, Veronica Alloway, Doreene Bennett, and American Water Sr. Manager of National Supplier Diversity Lawrence Wooten, also a member of the AACCNJ Foundation Board of Directors.



# EMPLOYEE BUSINESS RESOURCE GROUPS

In 2021, we launched our first Employee Business Resource Groups (EBRGs) as part of our journey and continued commitment to an **inclusive workplace for all**. For us, EBRGs are voluntary forums for employee participation and business impacts in the areas of **Culture, Careers, and Community**. EBRGs are dedicated to raising awareness for underrepresented groups, such as Black/African Americans, Women, LGBTQ+, and employees with disabilities. The goal of these groups is to build high-trust relationships that contribute to fostering a greater sense of belonging within American Water. Ultimately, they are vehicles for **inspiring conversation** and encouraging **diversity of thought**, and identifying of new ways to **resolve concerns, drive innovation and improve business performance**.



**American Water Abled** advocates for creating equity for employees with all types of disabilities (visible and invisible), caregivers and their allies to lead and excel both personally and professionally.



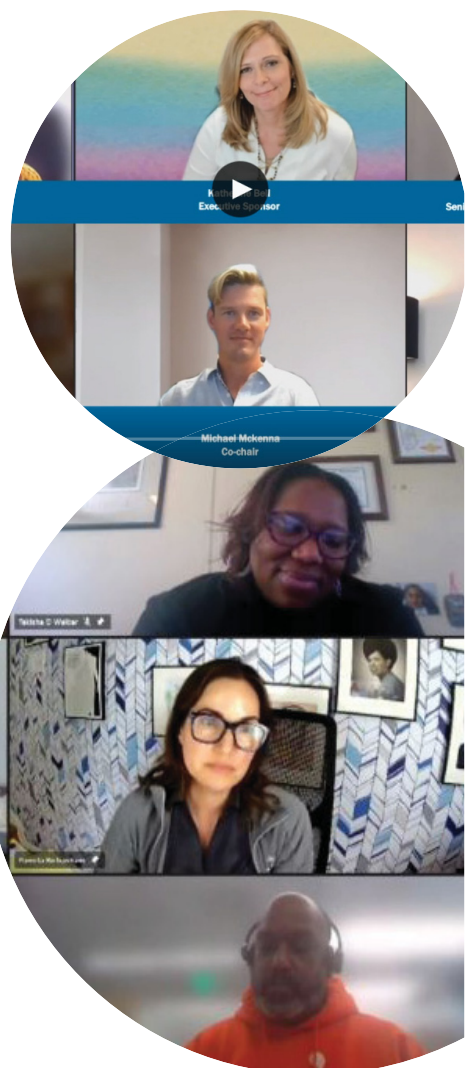
**American Water Proud** creates awareness and fosters candid discussions that proudly support the LGBTQ+ community and their allies.



**Together We Stand** promotes a diverse and inclusive work environment for Black/African American employees and their allies, at all levels within the company.



**WE CAN**, the Women Empowered Champion and Ally Network fosters an inclusive culture where female employees' personal and professional growth contributes to the success of our company and the communities we serve.





## Awards and Recognition



AMERICAN WATER

Beautifully Different

